FINANCIAL TIMES

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America's gamble
Virus rages on as Vegas once again spins the wheel — EDWARD LUCE, PAGE 3

China's hotel fiasco
The mystery behind the failed sale of Anbang's chain — BIG READ, PAGE 15

Bargaining chips
The US must up its game with tech production — INSIDE TECH, PAGE 6

Delhi deaths
Official tally under dispute

Xavier Galiana/AFP

A worker sprays disinfectant at a vegetable market in New Delhi, India, after the country eased its nationwide lockdown yesterday.

Deaths related to Covid-19 in India's capital have been vastly under-reported, according to data acquired by the Financial Times from hospitals in the city.

Senior doctors at five of New Delhi's 15 hospitals treating coronavirus cases said many more patients were dying than official figures suggested. The five hospitals alone suffered a death toll of 654 when suspected cases — patients who showed virus symptoms but died without testing — were also included: more than the official tally of 523 deaths for the entire New Delhi region.

Data point to under-reporting page 4

Global stocks tumble on second wave fears and economic outlook

- Fed caution ends rally
- Worst one-day falls since March
- Trump bullish despite data

PHILIP GEORGIADIS AND PHILIP STAFFORD — LONDON
HUDSON LOCKETT — HONG KONG

Global stock markets fell sharply yesterday as a three-month rally was jolted by the Federal Reserve's dire assessment of US economic prospects and renewed concerns over a second wave of coronavirus.

Shares on Wall Street and in Europe suffered their worst one-day falls since the depths of the March market crash, a day after the Fed said that the world's largest economy faced a long path to recovery from the pandemic.

The S&P 500 was down more than 4 per cent at midday in New York, while the Nasdaq Composite fell 3 per cent, retreating from its all-time high.

The Stoxx 600 index, Europe's benchmark, tumbled 4.1 per cent; the UK's FTSE 100 closed down 4 per cent; and the German Xetra index fell 4.5 per cent.

Government bonds rallied as investors sought safer parts of the market.

The Fed indicated that interest rates would remain close to zero until the end of 2022 while data yesterday showed US unemployment claims remained at historic highs, reflecting the economic damage caused by the pandemic.

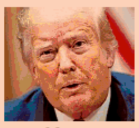
"The Fed remains deeply concerned about the trajectory of the recovery," said Anna Stupnytska, head of global macro at Fidelity. She added that "risks related to subsequent waves of infection, the upcoming elections, weak global recovery and trade tensions" were likely to complicate the recovery path.

The Vix volatility index, nicknamed Wall Street's "fear gauge", rose 21 points, its biggest one-day jump since March.

President Donald Trump weighed in on Twitter as the equity sell-off accelerated. "The Federal Reserve is wrong so often," he wrote. "I see the numbers also, and do MUCH better than they do. We will have a very good Third Quarter, a great Fourth Quarter, and one of our best ever years in 2021. We will also soon have a Vaccine & Therapeutics/Cure. That's my opinion. WATCH!"

Some investors said that the stocks sell-off was linked to nerves about stretched valuations after a breathtaking rally led to US markets erasing virus-related losses. It had been underpinned by hopes of a quick economic recovery and extensive stimulus packages.

"Equities are selling off despite the Fed, not because of the Fed," said Paul O'Connor, head of the multi-asset team at fund manager Janus Henderson Investors. "Some forms of speculative activity are the highest seen in years."



Donald Trump, US president, wrote on Twitter: 'The Federal Reserve is wrong so often. We will have a very good Third Quarter, a great Fourth Quarter'

Concerns over another wave of infections have also harmed sentiment, analysts said. US states in the west and south, which eased lockdowns weeks ago, are seeing a big jump in new cases.

Rabobank strategist Richard McGuire said that markets had largely ignored the "reality that a second wave could crush signs of economic progress being made in some countries as they open up".

Reports and analysis page 3
Markets page 11
Editorial Comment page 16
Opinion page 17

Briefing

US troops to be pulled out of Germany
The former US ambassador to Germany has confirmed that the US plans to withdraw troops from Germany, in a further blow to a transatlantic relationship that is already under strain.— PAGE 2

Gupta wields axe to slash GFG costs
UK metals magnate Sanjeev Gupta has launched a drive to slash costs by 30 per cent across GFG Alliance, his global steel and energy empire, to cope with the fallout from the pandemic.— PAGE 6

Snap in push towards superapp model
Snap is inviting developers to build slimmed-down versions of their apps into its platform, a clear move by a western group to emulate the Chinese "superapp" model.— PAGE 6

Return to hiring eases US jobless data
The number of Americans seeking jobless benefits eased further to 1.5m last week, following an unexpected return to recruitment as the US reopens after 12 weeks of virus-led shutdowns.— PAGE 3

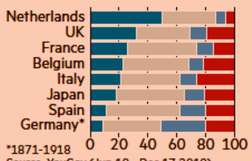
VW admits to mistakes over video ad
A Volkswagen probe into an advert of a dark-skinned man being flicked by a large white hand found no indication of "racist intent" among its staff, but it admitted that mistakes were made.— PAGE 8

Ahrendts takes board role at WPP
WPP has appointed Angela Ahrendts, the ex-chief of Burberry and head of retail at Apple, to its board in a sign of the advertising group's aim to better combine the tech and creative sides of its business.— PAGE 8

NetEase shares leap on HK debut
The tech group surged on its Hong Kong debut after a $2.7bn secondary offering, as tension between Washington and Beijing prompts more Chinese companies to raise cash in the city state.— PAGE 10

Datawatch

Colonial hangover
% who feel more proud/ashamed of their country's empire



*1871-1918
Source: YouGov (Jun 10 - Dec 17 2019)

MPs are calling for a revision of the UK's school curriculum, to include more about the nation's colonial past, together with its legacy of abuse. Close to a third of Britons feel that the British empire is something to be proud of.

German anti-racism stand leads to soul searching

Germany has seen the largest protests in Europe sparked by the killing in the US last month of George Floyd. The mass mobilisation is as inspiring for social scientists and activists as it is puzzling; protests over homegrown racist attacks have had far smaller turnouts. Deep ties with the US black music that many Germans grew up with and a strong anti-Trump feeling are being cited as reasons Germans feel Floyd's death had such an impact.

Analysis ▸ PAGE 2

Coronavirus forces Britain to perform U-turn on post-Brexit border controls

PETER FOSTER — BRIGHTON
GEORGE PARKER — LONDON

The British government has abandoned its plan to introduce full border checks with the EU on January 1 as ministers come under mounting pressure from business not to compound the chaos caused by coronavirus.

In a significant policy U-turn, Michael Gove, the cabinet office minister, has accepted that businesses cannot be expected to cope with Covid-19 and simultaneously face the prospect of disruption at the border at the end of the post-Brexit transition period.

Instead of full checks, the government will now introduce a temporary light-touch regime at UK ports such as Dover for incoming EU goods, in both a deal and no-deal scenario. However, officials concede that goods flowing to the EU from the UK are likely to face full checks as they enter France.

"We recognise the impact that coronavirus has had on UK businesses," a Whitehall official said. "As we take back control of our laws and borders at the end of this year, we will take a pragmatic and flexible approach."

The move, which is expected to be announced ahead of a drive to ramp up "no-deal" preparations next month, is a sharp U-turn from February when Mr Gove said goods coming from the EU would face the full range of checks.

"We want to help business adjust to the changes and opportunities of being outside the single market and customs union," the official said. An announcement could come as early as today.

Another person briefed on the preparations said the approach would be closer to the no-deal arrangements drawn up in September 2019 that prioritised the flow of goods over border formalities. The measures are expected to last for six months.

The UK hopes that the EU side will reciprocate by reintroducing the no-deal measures that the European Commission had previously tabled, on areas from aviation to trucking permits, but have since lapsed.

However, Sam Lowe, a trade expert with the Centre for European Reform think-tank, warned that it was unlikely that the EU, which has already invested heavily in new port infrastructure and personnel in Calais and Rotterdam, would reciprocate fully. "The most we can hope from the EU is what they agreed last time, in terms of no-deal mitigations, but I wouldn't expect them to waive animal health and plant product checks for example," he added.

World Markets

STOCK MARKETS

	Jun 11	prev	%chg
S&P 500	3078.70	3190.14	-3.49
Nasdaq Composite	9757.44	10020.35	-2.62
Dow Jones Ind	25859.04	26989.99	-4.19
FTSEurofirst 300	1378.16	1437.23	-4.11
Euro Stoxx 50	3159.23	3293.71	-4.08
FTSE 100	6076.70	6329.13	-3.99
FTSE All-Share	3363.63	3499.69	-3.89
CAC 40	4815.60	5053.41	-4.71
Xetra Dax	11970.29	12530.16	-4.47
Nikkei	22472.91	23124.95	-2.82
Hang Seng	24480.15	25049.73	-2.27
MSCI World $	2267.36	2275.28	-0.35
MSCI EM $	1012.51	1009.61	0.29
MSCI ACWI $	539.76	541.23	-0.27

CURRENCIES

	Jun 11	prev		Jun 11	prev
$ per €	1.138	1.135	£ per $	0.791	0.784
$ per £	1.264	1.276	€ per £	1.111	1.124
£ per €	0.900	0.890	¥ per €	121.372	121.745
¥ per $	106.645	107.245	£ index	78.004	77.812
¥ per £	134.832	136.790	SFr per £	1.187	1.206
SFr per €	1.069	1.073			
€ per $	0.879	0.881			

COMMODITIES

	Jun 11	prev	%chg
Oil WTI $	35.47	39.60	-10.43
Oil Brent $	37.98	41.73	-8.99
Gold $	1722.05	1713.50	0.50

INTEREST RATES

	price	yield	chg
US Gov 10 yr		0.67	-0.11
UK Gov 10 yr		0.20	-0.07
Ger Gov 10 yr	103.43	-0.42	-0.08
Jpn Gov 10 yr		0.00	-0.02
US Gov 30 yr	128.04	1.44	-0.10
Ger Gov 2 yr	104.78	-0.66	-0.03

	price	prev	chg
Fed Funds Eff	0.05	0.05	0.00
US 3m Bills	0.17	0.19	-0.02
Euro Libor 3m	-0.37	-0.38	0.01
UK 3m	0.20	0.20	0.00

Prices are latest for edition — Data provided by Morningstar

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INTERNATIONAL

CORONAVIRUS ROUND-UP

Mnuchin says US cannot shut down economy again as cases increase

US Treasury secretary Steven Mnuchin yesterday said the economy could not be closed down again, even as states across the west and south recorded a jump in cases after loosening the lockdown.

"We can't shut down the economy again. I think we've learnt that if you shut down the economy, you're going to create more damage," he told CNBC.

The rise in cases weighed on markets, with the S&P 500 down 2.5 per cent.

Finland excludes Swedes from list of neighbours allowed to cross border

Finland will open its borders on Monday to other Nordic and Baltic countries, except Sweden due to its continued high level of coronavirus infections.

Visitors from Denmark, Iceland, Norway, Estonia, Latvia and Lithuania will be able to visit Finland without quarantine. The decision follows the opening up of Norway and Denmark to each other. More than 10 times the number of Swedes have died from coronavirus than Norwegians relative to their population size.

Protesters mark Brazil's death toll

An activist attends a demonstration organised by Rio de Paz, a non-governmental organisation, during which graves were dug on Copacabana beach, Rio de Janeiro, symbolising Brazil's dead from coronavirus

Australian states urged to reopen borders for speedier recovery

Australia's treasurer has called on states to reopen their borders to allow domestic travel and aid the country's economic recovery.

Josh Frydenberg said "closed borders cost jobs" and pointed to Queensland and its A$30bn (US$21bn) annual tourism earnings as an example of the importance of the sector. If all Covid-19-related restrictions were eased, 850,000 could get back to work and A$9bn could be added to the economy each month, he added.

Mexico posts record drop in industrial output following April restrictions

Mexico's industrial production slumped by a record 29.6 per cent in April as Covid-19 restrictions hit Latin America's second-biggest economy. Mexico locked down all but essential industries in April and May and most activity in all 32 states remains on hold.

Construction output fell 32.8 per cent in April compared with March, while manufacturing output dropped 30.5 per cent and mining 5.6 per cent. Car production, construction and mining have all been added to the list of essential activities now allowed to resume.

Cases so far

7,415,319

and 417,546 deaths by 5.30pm BST on June 11

Source: Johns Hopkins University, CSSE

Read more at ft.com/coronavirus

Nato tension

Trump ally signals Germany troops exit

Ex-envoy appears to confirm reports that 30% of US personnel will leave

GUY CHAZAN — BERLIN
MICHAEL PEEL — BRUSSELS
JAMES SHOTTER — WARSAW

The former American ambassador to Berlin, Richard Grenell, has confirmed that the US plans to withdraw troops from Germany, in a further blow to a relationship already under strain.

Mr Grenell, an ally of President Donald Trump, told daily Bild Zeitung that "American taxpayers are getting a little bit tired of paying too much for the defence of other countries". He said Mr Trump had been making that "very political point" for a "long time".

The Wall Street Journal reported last week that the US intended to remove 9,700 US troops stationed in Germany, which is about 30 per cent of the current force. The Trump administration has not confirmed the move, which has sparked US opposition at home, including from Republicans in Congress.

The report caused consternation in Germany, which sees the US military presence as a symbol of a commitment to defending its European allies. There were fears a withdrawal would embolden Russia, which has been keen to exploit divisions between Nato members.

German authorities initially declined to comment, but on Wednesday Berlin said ministers had been informed the US was "considering" reducing its military presence, but not whether a final decision had been made. Mr Grenell appeared to confirm the exit, saying it would leave a total of 25,000 US troops in Germany. "That doesn't seem like a small number to me," he pointed out.

Some German media had suggested Mr Trump had decided to withdraw troops in a fit of pique, after Angela Merkel, German chancellor, declined to attend a G7 summit he was to host this month in the US, citing the pandemic.

Mr Grenell, who recently stepped down as ambassador, reportedly to join Mr Trump's 2020 re-election campaign, said there was no connection. He said there had been a debate about reducing troop numbers in August and September 2019, and that the German media had dismissed it at the time.

"Then we went to the Nato summit in London last September, and we talked about the troop withdrawal then," he added. "No one should be surprised that Donald is bringing the troops home."

Mr Grenell placed the proposed move in the context of plans to quit military theatres, such as Afghanistan, Syria, Iraq, South Korea and Japan.

> 'No one should be surprised that Donald is bringing the troops home'
> Richard Grenell

The re-emergence of the pullout plan has alarmed European officials, who are concerned about the fraying of the transatlantic alliance. The US president branded Nato obsolete on the campaign trail and has since attacked European countries and Berlin in particular for failing to spend more on their militaries.

European officials hope the plan can still be averted or softened by opposition from inside the administration or Congress. Almost two dozen Republicans in the House of Representatives wrote to Mr Trump this week urging him to reconsider the move because of continuing "threats" posed by Russia,

"It's not a done deal," one European diplomat insisted. "There is still a large US commitment to security and defence in Europe."

Europe. Demonstrations

Germans urged to tackle racism at home

Activists fear huge protests at Floyd killing will fade without addressing domestic attitudes

ERIKA SOLOMON — BERLIN

The crowds swelled into Berlin's Alexanderplatz — a sea of black T-shirts and face masks, chanting against racism and demanding justice. But it was not for victims of the attack on shisha bars in the German town of Hanau in February, or those shot dead outside a synagogue last year. It was for the killing of an African-American man, 7,000km away in Minneapolis.

The "silent demonstrations" across Germany last Sunday saw nearly 90,000 people turn out — the largest protests in Europe sparked by George Floyd's death in police custody last month. For protesters and onlookers, activists and social scientists, the mass mobilisation in Germany is as inspiring as it is puzzling — and for many, it has sparked some soul searching.

Vincent Bababoutilabo from antiracism group Initiative for Black People in Germany (ISD), said witnessing the outpouring was bittersweet. In the wake of protests across Europe, ISD has received nearly €3,000 in donations per day.

"I am really happy the mainstream is getting involved," he said. "But I couldn't help but wonder: Where were all of you when we had people murdered in Hanau?"

Protests over homegrown racist attacks in the past year had smaller turnouts. The far-right-motivated shooting in Hanau, near Frankfurt, of nine people, most of whom were of Kurdish and Turkish origin, led to around 10,000 taking to the streets.

Germany has not faced the same level of accusations of police brutality towards ethnic minorities. But deep political ties with the US — and the Black American music and culture many grew up with — is one reason Germans feel Floyd's death had such an impact.

Some activists suspect Germany sees racism as more of an American problem, and sense a heavy dose of hostility toward Donald Trump in the turnout.

A Pew survey this year showed Germany was where the US president garnered the lowest level of public trust in Europe, amid deteriorating transatlantic relations. Germany's tradition of anti-American activism — from protests against the Vietnam war in the 1960s to anti-nuclear marches two decades later — also helps explain the reaction.

"It's easy to hate Trump, he's like a caricature. But I worry people would rather protest [against] things happening in America, rather than holding themselves to account," said Anna, a university student who joined 25,000 protesters in Munich.

Statistics from the Federal Anti-Discrimination Agency show an increase in discrimination cases, while a poll by the Friedrich Naumann Foundation for Freedom found just 51 per cent of respondents believe Germany has a problem with xenophobia and racism.

Meanwhile, several state governments are introducing stricter oversights after the discovery of neo-Nazi cells that included members from the police and military.

Germany has been primed for mobilisation since the mass civil response to help nearly a million refugees in 2015, stoking fierce opposition and support alike, Swen Hutter, of the Berlin Social Science Center (WZB), said.

The country was already witnessing a new era of protest — interrupted by the pandemic — from massive environmental demonstrations to the 250,000 who joined the 2018 *Unteilbar* [Indivisible] march in Berlin against racism, one of the biggest in Germany's postwar history. The spate of far-right killings has reminded Germans of the current of racist violence running beneath them.

The recent demonstrations were organised by young German influencers on Instagram, not traditional activist networks, opening up a larger and younger population.

Politicians have taken note. The head of the left-of-centre Social Democratic party (SPD) parliamentary bloc, Saskia Esken, warned Germany should be looking at "latent racism" among its own security forces.

Her statement was welcomed by the left and Germany's Green party, but criticised by some of her fellow party members and their conservative governing partners, the ruling Christian Democratic Union (CDU) and CSU.

Interior minister and CSU politician Horst Seehofer said: "The accusation of latent racism in the German police is absolutely incomprehensible to me."

The police union said: "The idea that the German police are latently racist is nothing more than a conspiracy theory."

Chima Ugwuoke, an activist with the group In*vision, said such debates made her worry the wave of antiracism activism may be shortlived. She pointed to 93 arrests after the Alexanderplatz protests, many of them ethnic minorities and two of which involved police holding down and hitting black men.

"You feel like [the protests] add to this German image that 'we're all against racism' — and that supports the picture they always want to create," she said. "But we are the ones who stay to deal with the racialised police brutality that happens after."

Solidarity: protesters in Berlin on Sunday were among 90,000 across Germany. But some activists would like to see more attention paid to allegations of discrimination and police brutality at home — Omer Messinger/EPA-EFE/Shutterstock

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Ending lockdown

Spain targets 'surgical' measures to keep virus under control

DANIEL DOMBEY — MADRID

Spain plans to use "surgical" restrictions and improved detection to keep coronavirus under control once the lockdown ends this month, but it cannot rule out more swingeing measures, the two most senior officials heading the battle against the pandemic said.

Salvador Illa, health minister, and Fernando Simón, the chief epidemiologist leading the fight against the virus, said that future outbreaks would be inevitable after lockdown ended. But they argued that these were set to be contained more swiftly than before, when Spain's volume of infections gave it one of the world's highest death rates, although cases have since fallen sharply.

Mr Illa said that after emergency powers lapsed on June 21, the government would use existing laws to respond to new outbreaks. He called this a "very surgical form of action" that would allow the compulsory quarantine of specific groups and curbs on activities in affected areas. He compared it to measures the government took in February, when it imposed a mini-lockdown on a hotel in Tenerife where the virus had been detected. Mr Illa said: "If we are talking about a generalised outbreak we would have to return to the lockdown mechanism, but where we are, with how the epidemic has developed, we don't think this is going to happen."

Mr Illa and Dr Simón have been at the centre of controversy about the lockdown, one of the toughest in the world, and the events that led up to it. There has also been mounting scepticism over Spain's statistics, particularly the official death tally since the pandemic began. This total has now been "frozen" while underlying figures are revised to correct flawed data corresponding to earlier stages in the outbreak.

The two officials said the country's focus had shifted to identifying new sources of infection as quickly as possible, with individual rather than aggregate data, and moving quickly to isolate infected people and their contacts.

Dr Simón said that at present about 50 per cent of all new cases were linked to other people who had previously tested positive. The goal is to get that proportion as close as possible to 100 per cent as Spain prepares to end lockdown, reopen to international tourism on July 1, and awaits the autumn flu season.

"If we can identify the origin of all of the cases, we can make sure that any outbreaks are limited and controlled," said Dr Simón. "If not, it implies that we don't know where the transmission is coming from, and it means it is getting away from us."

At present, he said, there were only scattered outbreaks in Spain. The value R, the rate at which the virus spreads, had been below 1 for weeks and was as low as 0.3 to 0.4 if calculated from the first onset of symptoms.

According to government figures, the number admitted to hospital over the past week with confirmed cases was only 139; just 12 entered intensive care.

Recovery: a Madrid virus patient waves as he leaves intensive care

"The lockdown worked," said Mr Illa. "We have taken some very tough decisions, but they have been efficient."

About 60,000 with apparent symptoms are tested each week, of whom about 5 per cent, or 3,000, are found to have Covid-19. Their contacts are tested, about 10 per cent of whom are found to be positive. It is these who account for about half of all new cases each week.

Meanwhile, up to 40 per cent of those testing positive are asymptomatic and appear to not have widely spread the disease. Dr Simón said that when international travel resumed, some imported cases would be inevitable, whether from tourists arriving or Spanish nationals returning home.

"These cases will come; the important thing is to detect them quickly and manage them," he said. He acknowledged that doing so will be more complex than dealing with domestic cases, as it will involve tracing possible contacts from the plane to the hotel and in-between.

Rules for after June 21 include wearing masks in public where social distancing of 1.5m cannot take place.

INTERNATIONAL

Powell delivers dovish message based on lessons of past recession

Fed chairman reveals dire assessment of prospects and need for big dose of support

JAMES POLITI — WASHINGTON
COLBY SMITH — NEW YORK

Jay Powell could have used this week's meeting of Federal Reserve policymakers to project confidence that the US economy had turned a corner after the shock of the coronavirus pandemic, with the jobs market showing signs of early recovery and equity prices continuing to rally.

Instead, the Fed chairman and his fellow monetary policymakers reinforced their dire assessment of the country's economic prospects for the coming years, which will require a heavy dose of support from the US central bank for just about as far over the economic horizon as they can see.

In their first economic projections since December, Fed officials estimated that by 2022, the US would still be facing 5.5 per cent unemployment, far higher than pre-coronavirus levels, with core inflation at 1.7 per cent, still below its target of 2 per cent. Crucially, the forecasts showed that almost all top Fed officials expected to keep interest rates close to zero through to the end of 2022 — offering not the slightest hint of an early tightening.

"It's very clear to me that Powell has

'It is pretty clear [Powell] is highly focused on making sure the labour backdrop has ample time to heal'

learnt what not to do after seeing what happened in the wake of the last recession," said Tim Duy, a professor of economics at the University of Oregon. "Back then, the Fed quickly talked about reversing the balance sheet, they talked about normalising interest rates, they really sent signals that it was going to be a short-term phenomenon, which led to tighter financial conditions and slowed the recovery. Powell is not going to make that same mistake."

It was not just the forecasts that were dovish. The Fed chairman underscored the message during his news conference, saying he was "not even thinking about thinking about raising rates" and highlighting his concern that millions of Americans may fail to quickly recover their jobs even as restrictions on economic activity are lifted. Mr Powell also noted that the central bank had to be "humble" about its ability to move inflation up. David Leduc, chief investment officer for active fixed income at Mellon, said: "Powell has been clear that this is an unprecedented shock . . . he went out of the way to note that there is still a lot of risk in the economy."

Tom Porcelli, chief US economist at RBC Capital Markets, said: "It is pretty clear that [Mr Powell] is highly focused on making sure the labour backdrop has ample time to heal."

Investors were reassured not only by Mr Powell's remarks but also by the Fed's decision to place a floor under its asset purchases programme, rather than continue to reduce the pace as it has been doing on a weekly basis since the beginning of April.

In its statement, the Fed said it would increase its holdings of US Treasuries and agency mortgage-backed securities "at least at the current pace to sustain smooth market functioning". Later on Wednesday, it announced plans to buy about $80bn of Treasuries between June 12 and July 13, maintaining its roughly $20bn a week rate.

During his news conference, Mr Powell pushed back against criticism that the Fed's easy money policy had unduly lifted asset prices — particularly the share values of risky companies — and risked destabilising markets in future and exacerbating economic inequality.

"What our tools were put to work to do was to restore the markets to function, and I think some of that has really happened . . . and that's a good thing," Mr Powell said. "I think our principal focus is on the state of the economy, and on the labour market, and on inflation," he added, dismissing "the concept that we would hold back because we think asset prices are too high" as detrimental to "the people that we are actually legally supposed to be serving".

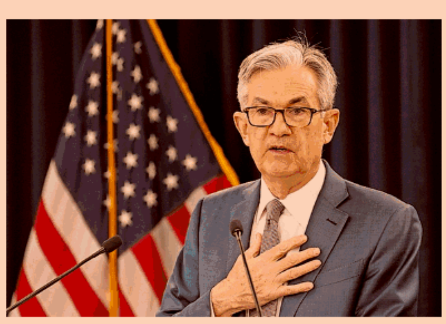
Investors expect riskier assets to do particularly well as the Fed has committed to support the economy and the smooth functioning of the markets.

Rather than putting the brakes on Fed support because of an unhealthy spike in financial markets, Mr Powell suggested there was a greater likelihood the Fed would take further action to bolster the US economy if it falters more than expected, either because of a second wave of Covid-19 infections or an underwhelming next round of fiscal stimulus.

Having previously ruled out negative rates, the Fed chairman said central bankers were discussing potential moves including "explicit" forward guidance on rates, which would tie any increases to particular macroeconomic milestones or dates, and a more structured asset purchase programme. He said the usefulness of so-called yield curve control — targeting specific interest rates depending on the duration of debt — was still an "open question", indicating it was not the first option.

"They are so far from their goals . . . the focus is really going to be on 'are we doing enough?'," said Kathy Jones, chief fixed-income strategist at Charles Schwab. "The door is open if we get disappointing economic news or we get something that is particularly negative, like no more fiscal policy help."

See Editorial Comment



Tough times: people wearing masks listen to instructions at a pop-up food pantry in the Brooklyn borough of New York. Below, Jay Powell
Demetrius Freeman/Bloomberg; Kevin Lamarque/Reuters

Unemployment

US jobless claims ease as reopened economy sets off burst of hiring

MATTHEW ROCCO — NEW YORK

The number of Americans seeking unemployment benefits eased further to 1.5m last week, following an unexpected return to hiring as the US reopens its economy after 12 weeks of coronavirus-related shutdowns.

The seasonally adjusted 1.54m initial jobless claims for the week ending on June 6 were down from 1.9m the week before, according to the US labour department, marking the 10th weekly decline. Economists polled by Reuters had expected 1.55m claims in the latest week.

The federal Pandemic Unemployment Assistance programme, which extended aid to the self-employed or other individuals who would not qualify for regular unemployment compensation, totalled 705,676 new applications, down from 796,813.

While jobless claims have slowed, the unemployment rate at 13.3 per cent remains at historic levels and above its peak during the 2008-09 financial crisis, highlighting the depth of the coronavirus-fuelled recession and the financial impact for millions of Americans. A total of 44.2m workers have filed first-time unemployment claims since the start of the pandemic.

Continuing claims, which count the number of people actively collecting benefits, fell to 20.9m during the last week in May from nearly 21.3m, accounting for 14.4 per cent of the workforce. The so-called insured unemployment rate, which was 14.6 per cent in the previous week, is considered an alternative measure of joblessness.

Jobless claims have fallen gradually from their peak of 6.9m, and continuing claims are down from a recent high of 24.9m, as people began returning to work and Washington's $3tn fiscal stimulus flowed to individuals and small businesses.

1.54m
Initial jobless claims for the week ending June 6, down from 1.9m in week before

13.3%
Unemployment rate is at historic levels and above its peak during the 2008-09 financial crisis

Some companies, particularly in ecommerce and logistics, have made thousands of new hires with consumer demand shifting online.

Economists were caught off guard when US employers added 2.5m jobs in May, far better than the 8m lay-offs that were forecast. It marked a sharp turnaround from the 20.7m jobs lost in April and 1.4m cuts in March.

GLOBAL INSIGHT
WASHINGTON

Edward Luce

Americans are losing the stomach to continue virus battle

It is an odd moment to surrender to coronavirus. Right and left, conservative and liberal — all parts of the US spectrum embraced the language of war. The metaphor was clearly too glib. Downgrading the fight now would be like George Washington taking a vacation after crossing the Delaware river.

Mission accomplished only works when there is a vaccine, which is at least a year away. Yet large parts of the country, including President Donald Trump, are taking victory laps. Little surprise that Anthony Fauci, the most trusted face of American science, is no longer pictured anywhere near Mr Trump. His last televised White House appearance was in April. This week Dr Fauci said the pandemic was "not close to over yet".

The same cannot be said for the task force to which he belongs, which is being wound up. That signal needs no decoding. The White House has lost any interest in prosecuting the war, which is now the preserve of the states.

A few weeks ago Europe was far ahead of the US in terms of mortality rates. They have now switched places. America continues to lose about 1,000 people a day — and in some states that are relaxing social distancing rules, infection and hospitalisation rates are rising.

This week Berkeley scientists estimated the US had prevented 60m infections by taking early lockdown measures. That is roughly 250,000 deaths that did not happen. The period the scientists analysed was up to April 6, which implies many more lives have been saved since then.

That discipline is now dissolving. Mr Trump will restart his re-election campaign next week with a full-blown rally in Oklahoma, his first since early March. That will give a green light for Americans to crowd together again without censure.

Las Vegas is broadcasting even starker images. Its slot machines are ringing again. To judge by the footage, most punters are not wearing masks. Forget war. Going for the jackpot is a more fitting metaphor for America's coming pandemic summer.

The White House has lost interest in prosecuting the war, now the preserve of states

As scientists keep reminding us, the virus respects no boundaries. Unfortunately that applies as much to the Black Lives Matter protests as it does to armed paramilitaries crowding their state capitals. This has blunted the Democratic party's ability to criticise Mr Trump for filling the stadiums, as he is likely to do next week. Covid-19 does not distinguish between decent people and white nationalists. In a deeply polarised nation, ideology beats science.

So what is likely to happen? The most likely outcome is a second coronavirus wave in the coming months. Many assume the virus goes quiet when the temperature rises. There is no scientific consensus on this.

One of America's fastest-rising infection rates is in Arizona, where temperatures have not dropped below 90F (32C) in two weeks. India, which is approaching monsoon, has one of the world's fastest-rising infection rates. On Sunday, 136,000 new people were infected worldwide, a record for one day. One in seven of those was American.

A related outcome is the impact on the November election. As the lockdown eases, short-term economic activity will pick up. That is Mr Trump's only hope of regaining office.

Opinion polls show Joe Biden extending his lead into almost forbidding territory, except on the economy. Mr Trump is trailing overall by double digits. But America's voters are still ambivalent about which of the two presidential candidates is best placed to revive the economy.

The chances that Mr Trump will bring Dr Fauci back on to the podium are thus very low. The voice of science is the last thing the president wants to hear. Which means that the third — and longest-lasting — outcome is likely to be America's damaged global standing.

In the pandemic's early stages, the world watched the US squander its time advantage by playing down the threat. Mr Trump should take the brunt of the blame. One or two Democratic mayors were also notably complacent.

The US is now on the verge of leaving the battlefield before the war is over. To be sure, tens of millions of Americans will continue to follow guidelines. But a country is only as strong as its collective will to break the infection chain. The result will be a "patchwork pandemic".

Having the world's best laboratories will come to naught if Americans refuse to fight side by side in the same war.

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US. Election poll

Trump fights strong antiracism tide in White House contest with Biden

President's angry outbursts against demonstrators risk alienating swing voters

DEMETRI SEVASTOPULO — WASHINGTON

After months of blaming China for coronavirus and in recent weeks attacking the nationwide antiracism protests sparked by George Floyd's death, Donald Trump this week found a fresh target: a CNN election poll.

The Trump campaign asked CNN to retract a poll, which showed Joe Biden 14 points ahead of the president nationally — the biggest margin this year for the former vice-president and Democratic presidential nominee.

"This is what can happen when one is in the bunker," said Doug Heye, a Republican strategist, adding that it was a "classic example" of staff impressing a boss by "fighting" for him despite no chance of success.

The Trump campaign has hit turbulence five months from election day. Earlier this year, Mr Trump was riding high on a strong economy and soaring stock market after his impeachment trial acquittal.

Now, he faces multiple crises that cannot be solved by tweet. As the Covid-19 death toll has topped 100,000 and 40m Americans have lost their jobs, he is struggling to make the case for his re-election. An outcry against systemic racism and rapidly shifting public opinion have also undermined the appeal of the president's nativist rhetoric among crucial independent voters.

Mr Biden has an average national lead of 8 points, according to Real Clear Politics. He is also ahead in many swing states that Mr Trump won in 2016, including Wisconsin, Florida, Pennsylvania and Arizona.

Mr Trump has only a very narrow lead in Texas, a state that has not voted for a Democrat since Jimmy Carter won the White House in 1976.

Struggling to regain the narrative, Mr Trump has reverted to the "law and order" message he used in 2016 and the 2018 midterm elections. Instead of warning about Mexican "rapists" and migrant "caravans", however, he has rallied his base with largely baseless claims about violent, anti-fascist protesters wreaking havoc across America. "These ugly Anarchists must be stooped [sic]," he tweeted on Wednesday.

But while his support among Republicans, and particularly his base, has remained solid, he is struggling with independents.

Harry Enten, a CNN polling expert, said he was in "tremendous trouble" because most independents were critical of his response to the protests. "The CNN poll . . . showed his approval with independents dropped from 46 per cent to 37 per cent. He led Biden among independents by 4 points in May and now trails by 11 points," said Mr Enten.

Mr Enten said the only plausible boost for Mr Trump would be if the "defund the police" movement gained steam because independents were "still overwhelmingly satisfied with their local police departments".

But Mr Biden has rejected calls from some Democrats to shift money from the police to other services that they argue would better tackle racism and its causes, making it harder for Mr Trump to take that tack.

Mr Trump saw his best approval ratings following his acquittal this year and in the very early days of the pandemic, according to a Gallup tracking poll. But it has plummeted by 10 points over the past month to 39 per cent, placing him below the 50 per cent bar regarded as a good indicator of re-election chances.

Mr Trump, who has largely remained holed up in the White House, on Wednesday said he would start holding campaign rallies again next week.

Mr Biden has been restricted to campaigning virtually from home, but many Democrats believe that his "basement strategy" has been an advantage as it minimises opportunities for him to make his trademark gaffes.

The president has tried to paint Mr Biden as weak for wearing a face mask when he ventured out. But the attacks looked impotent after it emerged that Mr Trump had been whisked to a secure bunker as protesters approached the White House two weeks ago.

Mr Trump has also been lambasted for a stunt at a church near the White House that resulted in police using tear gas to disperse protesters. Several Republicans joined former top military commanders in slamming the move.

Philip Stephens see Opinion

Virus deaths

India hospital data point to under-reporting

Discrepancy in New Delhi stokes fears true scale is being obscured

STEPHANIE FINDLAY AND JYOTSNA SINGH — NEW DELHI

The New Delhi state government has been accused of under-reporting coronavirus deaths as India eases its strict lockdown in an attempt to kick-start the economy.

Senior doctors and hospital executives at five of the 15 New Delhi hospitals treating Covid-19 cases said many more patients were dying than official figures suggested.

The five hospitals, which responded to Financial Times requests for information on condition of anonymity, suffered at least 577 confirmed coronavirus fatalities as of June 1. The death toll rose to 654 when suspected cases — patients who showed symptoms but died without testing — were also included.

The figures from these five hospitals alone exceeded the state government's official tally of 523 deaths in the entire New Delhi region up until June 1.

"There is systemic undercounting of deaths," said Ramanan Laxminarayan of the Center for Disease Dynamics, Economics and Policy, a think-tank. "This may be seem like a good idea to manage public perceptions in the short run, but it is going to cost in the long term."

The discrepancy in the New Delhi data will amplify fears that authorities are obscuring the true scale of India's coronavirus crisis, limiting the ability of healthcare providers to respond.

Two of the 15 hospitals contacted by the FT declined to release their figures because it was against protocol. A further eight said they could not give specific data for the period up until June 1, or could not be reached for comment.

Experts said undercounting happened in part because not all patients with more than one condition were counted as coronavirus deaths. The government has also banned the collection of coronavirus samples from untested dead bodies.

Doctors said the scale of the problem was terrifying. "It is a scary feeling, the disease is rapidly going out of control," said Kush Sharma, a doctor working at Lok Nayak Hospital, a designated coronavirus facility in New Delhi.

"In [intensive care units], we are used to mortalities. It is always painful but it is never been like this, where you lose three, four patients every day." In a normal week, they would lose two or three people, Dr Sharma said. "It is absolutely traumatising."

The problems with undercounting in Delhi, which is governed by the Aam Aadmi party, were common across India, analysts said, although there were some states that had won plaudits for their control of the virus, such as Kerala, where only 18 deaths have been recorded.

"[Officials] are recording just one-fourth of the deaths," said an executive at a private hospital in New Delhi, who asked to remain anonymous for fear of retribution from the government. "It is very clear, no one wants to know the numbers."

Aam Aadmi denied there was deliberate under-reporting in New Delhi and said the reason for the discrepancy was because some hospitals were not reporting their fatality figures properly.

"Now the problem of under-reporting has been more or less been fixed," the party said.

Mr Laxminarayan estimated that more than 200m Indians could be infected by September. "We are on a steep upswing," he said.

See Opinion

Federal Reserve. Liquidity boost

Demand for cheap dollars limited as calm returns

Investors seek safety but clamour for greenback stays below financial crisis levels

EVA SZALAY — LONDON

Demand for cheap dollars is running at its highest level since the financial crisis but the ebbing dollar exchange rate and limited use of the US Federal Reserve's cheap liquidity suggest financial conditions have begun to calm, say analysts.

The Fed opened dollar swap lines with more than a dozen other central banks in March as the greenback surged and demand for the currency created severe shortages in the early stages of the crisis triggered by the pandemic. As the dollar is the world's reserve currency, investors in times of stress seek shelter in it and dollar-denominated assets.

But demand for the Fed's supply of dollars has not outpaced the levels seen during the financial crisis, the last time the Fed rolled out similar liquidity-boosting measures.

A total of $447bn had been drawn down by other central banks by the end of the first week in June, Fed figures show — below the $583bn taken up in December 2008 at the height of the financial crisis. Jay Powell, Fed chair, noted on Wednesday that "market functioning has improved since the strains experienced in March" while insisting the Fed would continue to support financial markets for many months.

The majority of dollar funding has gone to the European Central Bank and the Bank of Japan but Mexico and South Korea have also tapped the Fed for dollars — the first time central banks in emerging markets have done so.

Now, as the first of these contracts begins to mature, central banks must decide in the coming weeks whether to replace them or return to the financial markets for dollar funding, as they normally do. The first ECB and BoJ swap contracts matured yesterday; those signed by South Korea and Mexico start to follow two weeks later.

"It will be important to see if this dollar funding gets rolled [over]," said George Saravelos at Deutsche Bank, who added that it would be an indication that investors were "getting more confident on dollar funding" and becoming less gloomy about the global economic outlook.

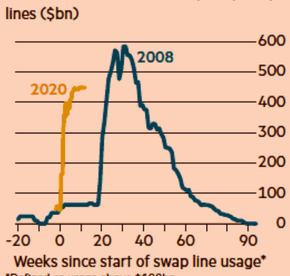
"There is a good chance we may be at the turning point," said Derek Halpenny at MUFG Bank. "[Data] suggest appetite is peaking and any take-up is starting to be offset by maturing positions." That is reflected by a recent dollar reversal in cash currency markets, helping ease financing conditions outside the US; a weaker currency makes it cheaper for dollar borrowers overseas to pay debts.

Foreign exchange: most dollar funding has gone to the European Central Bank and the Bank of Japan but Mexico and South Korea have also tapped the Fed

Andrey Rudakov/Bloomberg

Dollar demand is running below 2008 levels

US Federal Reserve dollar liquidity swap lines ($bn)

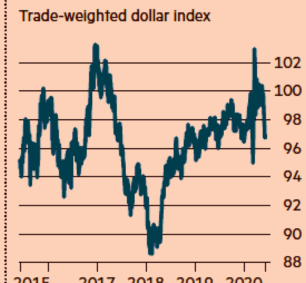


*Defined as usage above $100bn

Sources: Deutsche Bank; Bloomberg Finance LP

Dollar index is sharply weaker

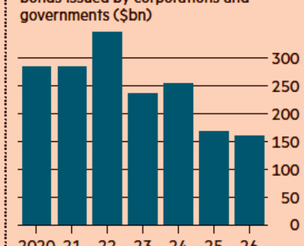
Trade-weighted dollar index



Source: Bloomberg

Emerging economies face rise in dollar debt repayments

Maturity profile for dollar-denominated bonds issued by corporations and governments ($bn)

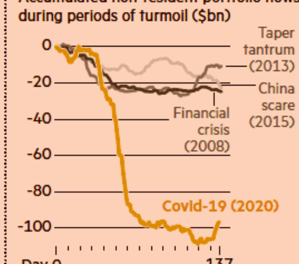


Data covers 30 major emerging economies

Source: IIF

Covid-19 triggers huge capital flows out of emerging markets

Accumulated non-resident portfolio flows during periods of turmoil ($bn)



Source: IIF

Emerging economies were hit particularly hard by the dollar's strength during the early stages of the pandemic as their own currencies collapsed to historic lows. The overall size of the global liabilities denominated in the dollar stands at $12tn, or 60 per cent of US gross domestic product, says JPMorgan.

"A weaker dollar would help ease global financial conditions and make dollar-funding pressures . . . less acute," said Ed Al-Hussainy at Columbia Threadneedle Investments.

The dollar's depreciation has mixed consequences for the US economy. A cheaper exchange rate in the past helped lift US exports' competitiveness; the collapse of global trade has made that temporarily irrelevant. Instead, the focus in the US has turned from exports to financing the deficit and maintaining the ability to borrow cheaply — and a stronger dollar can help with that.

Investors seeking dollar-denominated assets boost demand for US Treasury bonds, pushing down Washington's borrowing costs; yields fall when prices rise. A strong dollar also makes it cheaper for US companies to finance their debt.

As a result, US president Donald Trump has shifted his tone. In the three years since he took office Mr Trump has regularly complained that the dollar's strength was damaging the US economy. But last month as the currency strengthened, he told Fox Business Network that "right now, having a strong dollar is a great thing", though he could "live both ways" when it came to the US currency.

"[Mr] Trump was initially focused exclusively on trying to boost exports and limit imports, but now appears to be taking a more balanced approach," said Paul Ashworth at Capital Economics.

Daniel Hui at JPMorgan said: "When currency competitiveness is far down the list of factors hindering exporters and growth, it is probably not surprising that the president's language on the dollar has shifted."

But the rate cuts imposed by the Fed in an attempt to stimulate the economy have eroded the appeal of dollar-denominated assets, by bringing bond yields closer to those in other markets. Goldman Sachs expects foreign investors to unusually be net sellers of US Treasuries this year.

'[Data] suggest appetite is peaking and any take-up is starting to be offset by maturing positions'

Although that will leave the US relying on domestic investors to finance its deficit, it helps emerging economies. After record capital outflows of $83bn in March, some investors are returning — $23bn found its way back in April and May, estimated the Institute of International Finance, a trade body.

But Simon Quijano-Evans at Gemcorp Capital said market sentiment could deteriorate at any time as the spread of the pandemic in Europe, Asia and the US and the possibility of another wave of lockdowns continued to drive capital flows. This could lead to sudden surges in dollar demand at times of stress, meaning the need for the Fed's swap lines would persist, he said.

"The facilities need to stay in place until we really know that the virus is defeated," said Mr Quijano-Evans.

Additional reporting by Jonathan Wheatley

Tiananmen remembrance

Zoom shuts down meeting of activists in US and China

YUAN YANG — BEIJING

Zoom disabled the accounts of a group of Chinese dissidents in the US after they used a video conference to commemorate the 31st anniversary of the Tiananmen Square massacre.

The California-based tech company's role in shutting down the meeting, which was hosted and organised by activists in the US but saw participants dial in from China, will add to fears about the platform's security and how it will respond to government censorship requests.

In response to previous criticism, Zoom has added some security measures and has pledged to release a transparency report by next month.

The annual commemoration was hosted by a group of Chinese activists in the US, including Wang Dan, one of the most prominent leaders of the pro-democracy student movement that was crushed by the Chinese army in Tiananmen Square on June 4 1989.

Mr Wang's team shared screenshots with the Financial Times of his Zoom call being cancelled twice and two of his team's paid Zoom accounts being disabled. The cancellations started just as the meetings were due to begin on the morning of June 4 in the US, where Mr Wang is based.

Zoom later suggested to the South China Morning Post that the Tiananmen commemoration had violated local laws, saying that "when a meeting is held across different countries, the participants within those countries are required to comply with their respective local laws".

Zoom did not immediately respond to a request for comment.

There are no Chinese laws against marking the massacre, in which hundreds died, or criticising China's ruling party, although Beijing has punished citizens commemorating Tiananmen by charging them with "inciting subversion of state power", or the catch-all charge of "provoking quarrels".

Mr Wang wrote on Facebook: "Thirty-one years ago, we were on the streets fighting the Chinese Communist party police; today these kinds of confrontations have shifted to the realm of cyber space. Through destroying freedom of speech online, the CCP seriously threatens freedom of speech and democracy globally."

Mr Wang's team attributed the cancellations to hacking attempts or orders from the Chinese Communist party. Beijing has always sought to quell discussion of the massacre, although previously had focused on its own territory.

International Criminal Court

US sanctions intensify pressure on tribunal

AIME WILLIAMS — WASHINGTON
MICHAEL PEEL — BRUSSELS

The US has authorised economic sanctions against International Criminal Court officials involved in investigating or prosecuting US and allied military personnel for alleged war crimes, as Washington escalates its attack on the Netherlands-based court.

In an executive order issued yesterday, Donald Trump said the US would freeze financial assets of anyone who aided the ICC probes, including by providing "material support" to investigations.

The US also expanded existing visa restrictions on officials directly involved in inquiries into US military behaviour to include individuals' family.

The US has long seen the ICC as a threat to its sovereignty. In 2017 the ICC, set up in 2002 to prosecute war criminals, asked judges for permission to investigate alleged war crimes carried out in Afghanistan. In March, The Hague-based tribunal's appeals chamber overruled a previous decision not to investigate alleged crimes committed by US forces, as well as Taliban and Afghan national troops, in Afghanistan.

Speaking yesterday, US attorney-general Wiliam Barr said the justice department had "credible information that raises serious concerns about a long history of financial corruption and malfeasance at the highest levels of the office of the prosecutor". "We are committed to uncovering, and if possible, holding people accountable for their wrongdoing," said Mr Barr, who claimed that the court was being manipulated by Russia.

Mike Pompeo, US secretary of state, said investigations into US military personnel were an "ideological crusade", and he accused the court of being "grossly ineffective and corrupt".

Sanctions against people involved in investigating US troops will be meted out on a "case by case" basis, he added.

The US has already said it will revoke or deny visas to anyone connected with ICC probes into alleged US military abuses in Afghanistan. It announced last March that the new visa restrictions would be placed on people who "take or have taken action to request, or further investigate" US military behaviour.

On putting visa restraints on family members, Mr Pompeo said: "We cannot allow ICC members and families to come to the US and . . . enjoy American freedoms as the same officials seek to prosecute defenders of those freedoms."

Trade body

EU states ready to widen search for WTO head

JIM BRUNSDEN — BRUSSELS

EU capitals including Paris and Berlin have warned that saving the World Trade Organisation must take precedence over making sure its next chief is European, in a sign of the bloc's wariness about the looming vacancy.

Phil Hogan, the EU's trade commissioner, announced on Tuesday that he was "exploring" the possibility of running to succeed Roberto Azevêdo as director-general of the WTO when he leaves in September.

But France, Germany, Belgium, Denmark and the Netherlands all cautioned during EU ministerial talks on the same day that securing the post for Europe should not be the overarching priority, according to some of those involved in the discussions.

Jeppe Kofod, Denmark's foreign minister, confirmed the stance to the Financial Times yesterday, saying that a director-general was needed who would be able to "reboot" the WTO and "earn the respect" of all the organisation's members.

Phil Hogan, the EU's trade commissioner, is considering becoming a candidate

"To my mind, a successful candidate's qualifications are more important than nationality," Mr Kofod said.

His comments underline Europe's cautious approach to the WTO job at a crucial moment in the organisation's history, as the rule book for global trade comes under stress from US-China tension and President Donald Trump's unilateralism. The EU has argued that the WTO can be saved if its membership rallies behind a deep reform agenda, but that the system risks collapse if action is not taken.

EU diplomats said it was crucial that the next director-general should provide that unifying force.

"We should not exclude a candidate who could be very competent just because they are non-European," one diplomat said. "We need to be prudent."

Diplomats cautioned that none of the countries that spoke out on Tuesday were against having an EU candidate, but that this should not come at the expense of the bloc's wider objectives for the WTO.

FT Weekend

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Ben Okri: racism and the myth of difference

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London calling Unilever's efforts at unification risk political stir in pursuit of big prize ANALYSIS, PAGE 9

Companies & Markets

Gupta aims for 30% cost cuts across global metals empire

- GFG wields axe on jobs and spending
- Years-long expansion spree takes toll

MICHAEL POOLER — LONDON

UK metals magnate Sanjeev Gupta has launched a drive to slash costs by 30 per cent across his international steel, aluminium and energy empire to cope with the fallout from the coronavirus pandemic.

GFG Alliance said job cuts, cost reductions and efficiency savings were needed to put its businesses on a firm footing in the wake of the crisis, which would have a "significant" and "lasting" impact on the economies in which it operates.

The family-owned group, whose acquisition spree in recent years has transformed it into a conglomerate with $20bn in turnover, declined to disclose how many of its 35,000-strong workforce would be affected by redundancies.

Sanjeev Gupta believes drop in metal orders will last more than a year

"The crisis has prompted us to think differently about how our businesses are organised, how we will work in the future and how we best allocate our resources," Mr Gupta said yesterday. "I deeply regret that this will necessitate a reduction in roles."

Over the past five years, the India-born businessman has built a manufacturing powerhouse by snapping up failed or unwanted factories in Europe, the US and Australia, with pledges to reduce the environmental footprint of heavy industry by running facilities on renewable power.

However, its finances have drawn scrutiny, and a number of GFG entities were struggling even before the coronavirus outbreak.

The difficulties will have been compounded by a slump in metal orders after car production collapsed and construction activity ground to a halt because of lockdown measures.

A 20-40 per cent drop in steel consumption in certain regions was likely to persist for 12-18 months, GFG said, adding that aluminium markets were also under pressure.

Alongside the cost-cutting programme, GFG outlined investments into clean steelmaking technology at sites in the Czech Republic, Romania and Australia under an ambitious drive to achieve carbon neutrality by 2030.

GFG said the pandemic had "underlined the need to modernise plants to make them more flexible and efficient". The unspecified capital expenditure would be funded by a mixture of debt, equity and government investment support schemes, it added.

The group employs 5,000 people in the UK, where it has requested emergency state financial assistance.

Alasdair McDiarmid of the UK steelworkers union Community said: "It remains as important as ever that the government ensures that our steel industry gets the support it needs."

The target of 30 per cent overall savings covers most of GFG's activities, which range from car parts factories to mines and hydroelectric dams, with sites to implement local plans over the next three months.

It will not apply to the family's property holdings and its UK challenger lender Wyelands Bank, which has attracted regulatory attention over its lending to GFG entities.

Ticket trouble StubHub-Viagogo deal at risk after UK watchdog warns on terms

Centre stage: the deal has sparked concern over prices for events such as Glastonbury, pictured — Oli Scarff/Getty Images

TIM BRADSHAW AND KATE BEIOLEY — LONDON

Ticketing sites Viagogo and StubHub have been told to amend the terms of their $4bn deal or face harsher regulatory scrutiny, after the UK's competition watchdog said it was concerned the merger could drive up prices for consumers.

The two ticket-trading services must offer "remedial undertakings" within five working days or be subject to a deeper investigation, raising the prospect that regulators could go on to block the deal altogether.

The Competition and Markets Authority said yesterday that its investigation had raised concerns about Viagogo's purchase of StubHub from eBay, which was first announced in November.

The watchdog said it was concerned that a merger could push up the prices that ticket buyers and resellers were charged in the form of fees. Sellers set their own prices on both sites but are charged a fee to list their tickets, which the CMA believes could rise as a result of a lack of competition.

The deal would lead to Eric Baker, Viagogo founder and chief executive, winning back control of StubHub, which he co-founded. Since then, the ticketing business has been hit by the coronavirus emergency, with many live music and sporting events cancelled or postponed around the world.

The CMA acknowledged the virus had a "substantial impact on the live events and ticketing industries" but said there was no evidence that Viagogo and StubHub would be any worse affected than their peers.

The watchdog estimates the two companies together hold more than 80 per cent of the market for secondary ticket sales in the UK.

"Viagogo is already the largest secondary ticketing company in the UK by some considerable margin and has purchased an established rival, with no other significant competitors in the market," said Andrea Gomes da Silva, the CMA's executive director for markets and mergers. "We are therefore concerned that this transaction could lead to customers losing out through higher prices, less innovation and a lack of real choice."

According to individuals close to the process, Viagogo and StubHub argued the CMA should have considered the competition provided by primary ticketing sites too, but the watchdog refused, concluding that the two were distinct.

Viagogo said: "As we have throughout this process, we will continue to work diligently with the CMA during their review of the transaction. We remain committed to our belief that the combination of the two companies is a good move for customers worldwide."

Snap launches push to create WeChat-style superapp

HANNAH MURPHY — SAN FRANCISCO

Snap is inviting developers to build slimmed-down versions of their own apps into its Snapchat platform, in the clearest move yet by a western social media group to emulate the popular Chinese "superapp" model.

The Los Angeles-based company yesterday announced the launch of "Snap Minis", whereby developers will be able to build simplified versions of their apps within the main Snapchat app that users can access without having to leave the platform.

In doing so, Snap, which has more than 229m daily active users, is shifting closer towards the model of so-called superapps such as WeChat, whereby users can message each other but also buy products, send payments or book taxis, all in one place.

WeChat's parent, Tencent, is a major Snap investor, having built a 12 per cent stake in the company in 2017. In an interview with the Financial Times, Snap's chief executive Evan Spiegel said the company's shift towards a superapp model was influenced by its relationship with Tencent.

"We've talked for a long time about what admirers we are of [Tencent's] business and what they've been able to create and how much they've taught us," he said. "They were able to take communications products on the desktop and wildly evolved that to all sorts of different use cases."

In addition, Snap said that it would allow developers to build services using its camera and augmented reality technology into their own apps.

It also said it was adding information on local businesses to its maps feature, which allows its typically millennial and Generation Z user base to see where their friends are. Mr Spiegel added that the feature could "potentially" help facilitate more ecommerce on the platform in future.

The moves come as Snap, like other online platforms whose main source of revenue comes from advertising, is battling to return to its pre-pandemic pace of growth after its small business clients were hit by the crisis and cut back on their marketing spend.

Snap said it was not charging apps who become "minis" to be on the platform, suggesting the move had initially been designed to encourage increased engagement rather than generate new revenue streams directly.

US must boost chip production to survive the tech cold war

INSIDE BUSINESS
TECHNOLOGY

Richard Waters

The US has an unquestioned lead in many parts of the global semiconductor industry, from the software and equipment needed to design and manufacture chips, to selling finished products for many specialist uses.

But when it comes to actually making the dinner plate-sized wafers that are the most challenging part of the production process? Not so much. Only around 12 per cent of chip manufacturing takes place on American soil. In an increasingly unstable world, that makes the chip industry's largest US customers — from Apple to the Pentagon — and politicians nervous.

The extent of the unease led to bills in Congress this week to boost domestic chip production, with $25bn earmarked for chip manufacturing capacity and research. It amounts to a grand plan for a key part of the technology industry. But coherent national industrial policy and political consensus — both of which will be needed to see this plan through — are hardly things the US has been known for in recent years.

A report that Apple is about to take the long-expected step of dropping Intel as the supplier of its Mac chips and shifting the work in-house underlines what's at stake. Apple already designs processors for other gadgets but relies heavily on TSMC, the Taiwanese foundry company that makes chips to others' designs, to actually produce them.

Most of Intel's production takes place in the US: TSMC, by contrast, has prospered by concentrating its R&D expertise and manufacturing investment close to home. Along with Samsung, the world's third large-scale producer, that highlights a shift to Asia that makes corporate risk managers in the chip industry sweat.

From the geological (earthquakes and volcanoes) to the geopolitical (a dependence on Taiwan and South Korea as regional tensions rise), a key part of the global electronics supply chain faces potential disruption. China is still far behind in its ambitions to become a chip manufacturing powerhouse. But the tech cold war that has broken out with the US might just be the political catalyst needed to prod Washington into action.

> Coherent industrial policy and political consensus are hardly things the US has been known for in recent years

In another sign of how the centre of gravity has been shifting, Intel lost its long lead in process engineering to TSMC with the shift to the latest "node", marking the periodic shrinking of the feature size on the most advanced chips to ever-smaller dimensions.

All of this makes TSMC's announcement last month of an "intention" to build a plant in Arizona at a cost of $12bn over the next decade a potentially seismic event. Unpicking its real significance, however, is more challenging.

Apart from the vague nature of the announcement, TSMC said it only expects to produce 20,000 wafers a month — subscale compared to the company's biggest plants. By the time production starts, it will also be producing chips that are expected to be one node behind other leading-edge fabs. For a company that has thrived by operating almost entirely locally, this highlights the challenge of creating a true global footprint.

Equally intriguing is what it has taken to lure TSMC to make a bigger commitment to the US, besides an unspecified amount of state and federal financial support. Hours after the announcement last month, the US disclosed its latest crackdown on chipmakers who sell to Huawei — one of TSMC's biggest customers. The timing inevitably triggered suspicion of a quid pro quo, with the Taiwanese producer gaining some kind of cover to continue sales to Huawei in return for commitment to the US.

The company's chairman this week was careful to say that he wouldn't make any attempt to sidestep the proposed US rules and would fall into line with the "intention" of the US government. But an earlier US promise to block chip sales to Huawei turned out to be more bluster than reality.

TSMC made no change to its capital investment plans after the latest US assault on Huawei, and its shareholders barely blinked. That suggests both the market and TSMC itself are betting that it will continue to be able to keep at least some sales to Huawei — perhaps for smartphones, if not more military sensitive equipment — with the promised Arizona plant buying it some political protection from the White House.

White House horse-trading and the pull of customers such as Apple and the Pentagon will certainly help to draw chip production investment into the US. With chip production a national priority, Washington now needs to notch up some real wins.

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Automobiles

VW admits mistakes over racist video ad

Carmaker pledges to train staff after concluding team lacked 'sensitivity'

JOE MILLER — FRANKFURT

Volkswagen said an investigation into the publication of an ad that showed a dark-skinned man being manipulated by a large white hand found no indication of "racist intent" among the carmaker's staff.

The internal probe concluded that there was a lack of "intercultural sensitivity" and diversity within the German group's marketing department and approval processes, and that the connotations of the short video were not detected as a result.

"We made mistakes, we weren't attentive enough," Jochen Sengpiehl, marketing chief, told reporters yesterday. "No one from the team realised that flicking away a person is inappropriate on its own — and racist in the context shown."

In a statement VW said it would create a board of diversity experts to check ads for offensive or discriminatory elements, and roll out a training programme for internal and agency staff.

A non-governmental organisation will be brought in to assist the automaker in these efforts.

VW stopped short of committing to dismiss those responsible for approving the ad.

"Disciplinary and personnel committees at our company decide whether there are consequences for staff in connection with process-related errors and I have great trust in their work," said Hiltrud Werner, the group's board member for integrity and legal affairs.

She emphasised that managers would also be held responsible, and that there would be no "sacrificial lambs" among more junior employees.

VW was forced to apologise last month after the Golf 8 commercial, developed by a subsidiary of advertising giant Omnicom, was aired on VW's German language Instagram and Facebook accounts.

The clip, part of a series set in Argentina about an interracial couple falling in love, depicted a man of Nigerian descent being moved away from a yellow Golf model by his white girlfriend's oversized hand, before being flicked into the doorway of a Buenos Aires restaurant.

Some social media users noted that the name of the establishment, Petit Colon, can be translated as "small coloniser" in German. The restaurant is near the Teatro Colón opera house, which is named after Christopher Columbus.

As the advert drew to a close, the German words for "the new Golf" were faded in, in a way that appeared to spell out a racist epithet for a split second.

Mr Sengpiehl said VW staff only checked the English version of the clip, in which the slur did not feature. He added the fade-in was created by a graphics program, which randomly chose how the letters appeared.

Larry Thompson, the monitor appointed by US authorities after the diesel emissions scandal, was also alerted to the clip, and the audit process that followed, VW said. The monitor will deliver his final annual audit of VW's internal culture this year.

Technology. Merger

JET's grab for Grubhub puts focus on growth

Rapid-fire move sets up fresh battle for leadership in food delivery arena

DAVE LEE — SAN FRANCISCO
TIM BRADSHAW — LONDON

Matt Maloney's phone started ringing in Chicago as soon as the headlines hit.

Newspaper reports last month that he was in talks to sell Grubhub, his food delivery company, to Uber immediately caught the attention of Jitse Groen, the chief executive of Europe's largest food ordering app, Just Eat Takeaway (JET).

In his Amsterdam office, Mr Groen realised that if he wanted JET to be the dominant global operator, he had to stop Uber getting its hands on Grubhub.

"He was very engaged," Mr Maloney told the Financial Times. "Very interested to make sure that this asset did not go to Uber." Three weeks later, Mr Groen sealed an all-stock deal valuing Grubhub at about $7.3bn.

"I haven't seen a deal team move that fast," Mr Maloney said of JET. "They saw the numbers that were in the press and they went right after it, because they understood the strategic nature of this acquisition for them."

For Mr Groen, devouring Grubhub is just the latest course in a feast of dealmaking over the past few years.

Takeaway.com, which he founded as a student in the Netherlands in 2000, did not take external funding until 2012. But over the past five years, he has rolled up more than a dozen rival sites, culminating in a £6bn merger with Just Eat that was only approved by the UK's competition authorities in late April.

Merging with Grubhub will set up a new battle for global domination in food delivery with Uber, Germany's Delivery Hero and China's Meituan Dianping, as well as investors including Amazon, SoftBank's Vision Fund and Naspers' international dealmaking unit Prosus.

Mr Groen is confident that, by building a "fortress" of reliably profitable businesses in Western Europe and now North America, he can see off insurgents — even if they have billions of dollars to spend.

He says rivals that are focused on providing delivery couriers to restaurants that would not otherwise offer takeaway meals — such as SoftBank-backed DoorDash, which has raised more than $2bn in private funding — are inherently unprofitable and chasing "short term".

"It doesn't really matter if those competitors are the likes of Uber and Amazon and all of that, because they do have money but they don't usually have a long-term vision on the market," he said. "You have to be incredibly stupid not to be able to attract users if you have $5bn. That strategy will work — unless you have a fortress. If you want to pick a fight with JET in any of our countries, you should know it is a big company."

Just Eat Takeaway snatched Grubhub from under Uber's nose in a deal valuing the US group at $7.3bn — Erik S. Lesser/epa-EFE

As well as bringing global scale and deeper pockets, JET's approach had another positive for Mr Maloney. While Uber's interest in Grubhub led to it being accused of "pandemic profiteering" by a leading Democrat, a merger of US-based Grubhub and European JET will probably not trouble Washington, nor European regulators.

On the other hand, the pairing of Grubhub and Takeaway will do little to fundamentally reshape the landscape of the US food delivery market.

"While US investors were looking for the market to consolidate from the current four leading players, this does not accomplish that," said Aaron Kessler, of Raymond James Equity Research.

At the beginning of the year, there was talk that the cash-burning days of 2019, with heavy discounting and big marketing spends, would give way to a more rational approach.

Had Uber been successful in buying Grubhub, it would have commanded a market share of almost 80 per cent in places such as New York, according to data from Second Measure. That could have reduced the need to spend as much on marketing, driver acquisition, restaurant outreach and discounting.

"The lack of geographical overlap between JET and Grubhub means that the marketing efficiencies from consolidation to be gained are limited, in our view," said Sherri Malek, analyst at RBC.

Instead, the playing field remains largely the same, only with Grubhub in a stronger position to chase market share more aggressively. "This is about growth," Mr Maloney said.

Ms Malek said the "significant size" of the US food market offered stronger growth prospects for JET. "However, the high level of competition in the market . . . will probably require material investment in order to rebuild Grubhub's number-one position."

That could explain why the deal seemed initially to stick in the throat of JET's shareholders. Its stock fell 13 per cent on Wednesday, after the two companies confirmed they were in talks.

Investors across the industry had hoped to see margins improve, particularly with a surge in demand due to the coronavirus crisis.

Mr Maloney said that he expected "strategic synergies" by combining Grubhub's US operations with Canada's SkipTheDishes, which Just Eat acquired in 2016. But beyond that, he predicted a "very light integration".

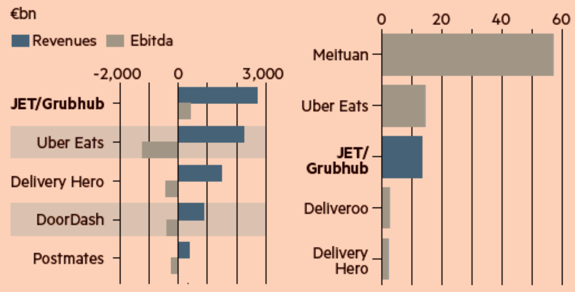
"We are not intending to cut costs and execute higher profit from the United States market," he said. "We're looking to accelerate our competitiveness, for as long as it takes to win these markets."

But for now, Mr Groen suggests that he might pause to digest. "There are very few quality assets worldwide. It's unlikely that you will see us do something with a very lossmaking company," he said. "We are a very old-fashioned company — we try to make profits."

See Lex

Deal creates biggest food delivery group outside China
€bn

Gross merchandise value
2019 ($bn)



Sources: Just Eat Takeaway; Peter Backman; FT research

Financials

Bain Capital's $1bn Japan nursing home buyout hits opposition

LEO LEWIS AND KANA INAGAKI — TOKYO

Bain Capital's $1bn swoop for a dominant position in Japan's nursing home, childcare and dog-grooming market has been challenged by a large investor claiming the US private equity group's bid is "substantially" too low and that the deal is marred by conflicts of interest.

Hedge fund Lim Advisors, which was directly involved in the creation of Japan's 2015 Corporate Governance Code, argues that the Bain-led management buyout of medical services group Nichii Gakkan was opportunistic and that the target company's board did not do enough to protect minority shareholders' interests.

Bain's bid, which would result in Nichii Gakkan being delisted from Tokyo's stock exchange, involves the purchase of a 44 per cent stake held by the surviving relatives and asset management group of the company's founder, who died last year.

Bain has offered the remaining shareholders — the largest of which is the secretive fund Effissimo — ¥1,500 ($14) per share, or a 39 per cent premium over their average price for the month that preceded the offer. Lim has argued that even at a conservative valuation the offer should have been closer to ¥2,400 per share.

Bain's formal proposal to Nichii Gakkan was made in mid-March as Japan closed schools and prepared for a state of national emergency due to coronavirus.

Lim said it was timed to take advantage of the turmoil that rocked markets, hitting companies' valuations regardless of their long-term prospects.

People close to the situation said that Lim's concerns were widely shared among minority shareholders.

They believe that the deal breaches the spirit of new M&A guidelines introduced in Japan last year, which were specifically crafted to protect minority shareholders from abusive management buyouts.

Lim accuses Nichii Gakkan's board of failing to seek alternative bidders. While Bain extended the tender offer by 11 days beyond the 20-day minimum to provide a chance for counterbidders to emerge, Lim argues that "unprecedented" social distancing measures made it effectively impossible for any potential counterbidder to act.

In a nine-page letter to the board of Nichii Gakkan, Lim attacked the pricing calculations behind the tender offer.

"Sadly, as a shareholder in the company we are concerned about the weak governance process surrounding the board's approval and recommendation of the tender offer," said the letter, which was sent on June 3.

The letter also highlighted the fact that for the past five years a Bain executive has sat on Nichii Gakkan's board.

"While conflicts of interest are inherent in many MBOs, it is particularly unusual that the financial sponsor should already have a board seat," said Lim's letter.

It added that while the Bain executive and other board members who were part of the proposed MBO had recused themselves from talks, four long-serving Nichii Gakkan executives who may have loyalty to the buyer remained active in the decision making.

Bain declined to comment. Nichii Gakkan was not immediately available for comment.

Media

Ex-Apple executive Ahrendts joins WPP board

ALEX BARKER — LONDON

WPP has appointed Angela Ahrendts, the former head of retail at Apple and chief executive of Burberry, to its board in a sign of the advertising group's ambition to better combine the tech and creative sides of its business.

The non-executive position is the second taken by Ms Ahrendts since she left Apple last year, ending a five-year stint as one of the group's most highly paid executives. She was appointed to Airbnb's board in May as the accommodation booking company seeks to reposition itself as a travel brand.

Ms Ahrendts' move marks another step in the evolution of the WPP board since the departure of Martin Sorrell. Other new board appointments since 2018 include Cindy Rose, the Microsoft UK chief executive, Keith Weed, a former marketing executive at Unilever, and John Rogers, chief financial officer.

"Angela's reputation as a leader of creative and technology-driven businesses is second to none," said Roberto Quarta, WPP chairman. "She also has deep insight into our clients' needs in a changing world. We are delighted that she will be joining the WPP board."

Before joining Apple Ms Ahrendts won Burberry for eight years, where she won plaudits for reviving an old British fashion brand through canny digital marketing that won over a younger, overseas audience.

Like most of the marketing sector, WPP has been hit hard by the slump in advertising during the pandemic with its share price almost halving in the immediate wake of the lockdown in March. The group has scrapped its dividend and about 3,000 senior managers have taken pay cuts.

WPP shares have since recovered but are still down 30 per cent since late February, putting the business behind Omnicom as the world's second-largest ad group by market capitalisation.

However, analysts say the ad market is showing signs of stabilisation following sharp cuts to marketing spending in the early stages of the pandemic. Thomas Singlehurst at Citi noted advertisers were indicating product launches and campaigns would resume. "Although timing is uncertain, the scene is set for a V-shaped recovery in advertising, at least in its early stages," he wrote in a note to clients.

Mark Read, chief executive, told shareholders at the group's annual meeting on Wednesday that clients were now "in the recovery phase" and had started "to think through the other side of the Covid situation".

"They're getting back to communicate with their consumers in most parts of the world," he said.

Ms Ahrendts said she was "honoured" to be asked to help Mr Read develop a company strategy "that values creative talent while embracing societal shifts and new technologies".

Technology

Uber names Asia boss in regional shake-up

MERCEDES RUEHL — SINGAPORE

Uber has named a new head of its Asia-Pacific business, filling a post vacated more than a year ago, as it attempts to revamp its regional operations after a series of retreats.

Pradeep Parameswaran, formerly head of Uber's India and south Asia operations, will take over as regional ride-hailing head.

His job will be to lift Uber's presence in countries such as Japan and South Korea to take advantage of their recovery from the pandemic.

Uber, which remains unprofitable, faces scrutiny from regulators in Europe and growing competition in Asia.

Its Asia business was managed from Europe after Mr Parameswaran's predecessor quit in April 2019. That reflected its reduced footprint after the sale of its China and south-east Asia businesses: the operations across Asia were largely managed country by country.

Chief executive Dara Khosrowshahi, who visited Tokyo in February, has named growth in Japan and South Korea as "near-term priorities". In Hong Kong, the company said ride numbers had recovered by more than 80 per cent.

Mr Parameswaran is likely to be based in Hong Kong, which will be Uber's regional HQ following a move from Singapore, where it does not offer services. But the company operates in a legal grey zone in Hong Kong.

There was "huge potential" to serve more Uber customers, said Mr Parameswaran.

In Japan the group has partnered with taxi companies to navigate regulatory obstacles and wants to expand via tie-ups, such as with shareholder SoftBank Group.

Parameswaran must lift the group's presence in Japan and Korea to take advantage of recovery

Uber has targeted Australia, where it faces rivals including China's Didi Chuxing, to launch new services such as Uber Rent.

Dane Anderson, a senior vice-president at research firm Forrester, said markets such as Japan, South Korea and Australia were "more manageable and profitable for Uber" because their populations and economic activity were concentrated in a smaller number of cities compared with China and India.

"Unlike Didi in China, Grab and Gojek in south-east Asia, and Ola in India, Uber does not have as strong ride-sharing competition in these markets, which also makes them more attractive comparatively speaking."

In January Uber sold its Eats delivery business in India but maintains a presence in the country focused on trips via motorbikes and motorised rickshaws.

Unilever launches fresh attempt at unification

UK holding group eyed to replace dual Anglo-Dutch structure, making equity-based deals or disposals easier and faster

JUDITH EVANS AND JIM PICKARD
LONDON
MEHREEN KHAN — BRUSSELS

Unilever is to scrap its dual Anglo-Dutch structure in favour of a single company based in London, reversing attempts two years ago to combine its businesses in the Netherlands.

The maker of Marmite, Dove soap and Ben & Jerry's ice cream said it would seek to integrate its Dutch entity into its UK arm, ending a legacy of Unilever's formation from the merger of a Dutch margarine group and British soapmaker Lever Brothers more than 90 years ago.

The consumer goods group, one of the UK's largest companies by market capitalisation, said the shift would make equity-based acquisitions or disposals easier and faster, including a potential spin-off of its tea division. Past disposals such as the sale of Unilever's spreads division have been complicated by the need to unwind complex internal structures resulting from the dual domicile.

Nils Andersen, chairman, said: "We want to accelerate the pace of portfolio change, and unifying our legal parent structure will give us a greater flexibility for equity-based acquisitions and demergers. That's very important right now as we anticipate an increasingly dynamic business environment after the Covid-19 pandemic."

He added: "The structure of the company is outdated . . . We didn't get a bloody nose in 2018 to now kick the can down the road for a few more years."

A plan two years ago to merge the UK into the Dutch entity was scrapped after shareholder opposition, in part because the company would have dropped out of the FTSE 100.

Shareholders will need to approve the fresh plan. It will require consent from half the shareholders in the Dutch entity and 75 per cent of those who own UK-based shares.

The proposal raises the possibility of a split of Unilever's food arm from its beauty and personal care and food divisions. The company said the Dutch government had sought an assurance that any future spin-off of the foods and refreshment division would result in a Dutch-based and listed company. Unilever said it was happy to make such an assurance but had "no plans" at present to demerge the division.

The group said it expected to retain its listing in both the FTSE 100 and Dutch AEX and would stay listed on exchanges in London, Amsterdam and New York. Operations in both the UK and Netherlands would remain the same.

Alan Jope, chief executive, said the company had not canvassed shareholders before announcing the move.

Analysts welcomed the plan after a lacklustre performance from Unilever, which reported flat underlying sales growth in the first quarter. The shift will make it easier to raise equity if required.

Following the merger, shareholders in the current Dutch entity will own about 55 per cent of the new company, with those already owning UK shares accounting for about 45 per cent.

Alok Sharma, UK business secretary, said he was "delighted" to see Unilever's proposals to become a fully incorporated UK company, calling it "a clear vote of confidence in the UK".

The Dutch government had urged Unilever to seek a single listing in the Netherlands after Brexit. It wooed the group by scrapping a dividend tax on big corporates, but the tax break was ditched after a backlash in 2018.

See Lex and Lombard

Retail & consumer. Strategy shift

London choice risks political stir in pursuit of big prize

Planned switch to single entity earns praise from Britain but 'regret' in the Netherlands

JUDITH EVANS, ATTRACTA MOONEY AND ARASH MASSOUDI — LONDON

When former Unilever chief Paul Polman tried to shift the domicile of the Anglo-Dutch consumer goods group to the Netherlands two years ago, his final big move as chief executive collapsed in open acrimony with shareholders.

Now his successor Alan Jope, who took charge last year, is entering the same troubled territory. He and chairman Nils Andersen said yesterday they would seek to create a single entity based in London.

The move brings political attention back on to the world's third-largest consumer products company. A spokesperson for the UK prime minister, Boris Johnson, who is under pressure over coronavirus and Brexit, was quick to hail the move as a "clear vote of confidence in the UK", while the Dutch minister for economic affairs said he "regretted" it.

But the duo now running Unilever — which makes products from Marmite to Domestos bleach — have been prepared to risk the political spotlight and further negotiations with shareholders in pursuit of a much-needed prize: the ability to quickly carry out acquisitions, spin-offs and mergers aiming to enable a return to growth.

"We think the post-Covid world is going to be a dynamic environment where there might be opportunities to acquire businesses," Mr Andersen said yesterday.

Unilever will need the approval of half the shareholders in its Dutch entity and 75 per cent of those in its UK group to push ahead, which it wants to do before the end of the year.

In 2018, big shareholders were angered after Unilever failed to speak to them in advance about the plans to become a Dutch company. This time, the company also decided against speaking to investors before the announcement, leaving them scrambling to set up calls with executives.

But unlike in 2018, early reactions were positive. Columbia Threadneedle Investments, which strongly opposed the plan to shift to the Netherlands, said it was in favour, as did Legal & General Investment Management, a top-10 investor, according to S&P Capital IQ.

Angeli Benham, investment stewardship manager at LGIM, said: "We were delighted to see the announcement this morning with an implementation proposal that is consistent with the long-term interests of our clients and enables us to continue supporting the company."

Rupert Krefting, head of stewardship at UK-based M&G, a top 30 shareholder, said the proposal was "good news for investors", while the Dutch asset manager PGGM, which runs €250bn of investments on behalf of pension funds, also said it was in favour. "PGGM appreciates very much how Unilever has integrated sustainability into its business strategy . . . we expect the company to develop this further as a single British company with more flexibility to pursue larger M&A projects," it said.

Unilever had been reporting sluggish figures even before the pandemic reduced its underlying sales growth rate to zero in the first quarter. The impact of coronavirus, especially on its ice cream and food service divisions, increases the urgency for Mr Jope to show he can transform the group.

The company needs to revamp its portfolio — Unilever has already said it may spin off its tea division, one spur for the change of structure.

Mr Jope told reporters the food division needed to move with the times, including developing more plant-based foods and adapting to people cooking from scratch in the pandemic.

Société Générale analysts said the shift would revive talk of mergers with rivals such as Reckitt Benckiser or Colgate, although executives at Unilever played down the prospect of such large-scale deals, together with the prospect of spinning off its food division.

Mr Jope said: "Everybody I've spoken to agrees that strategically, Unilever is better as a unified company."

The group's 90-year-old existing structure, with entities in the UK and Netherlands, makes equity-based transactions difficult and requires unwinding complex internal structures to make disposals. Some of its many subsidiaries are owned by the Dutch group, some by the UK group and some by both.

One person familiar with Unilever said the plans would leave the company with fewer constituencies to negotiate with, and save it the pain of a fight with the British tabloid press.

Crucially for UK-based shareholders, a consolidation of Unilever under the UK legal umbrella would not result in the company's removal from the FTSE 100 index. This was a key point of contention in 2018: becoming a Dutch company would have removed Unilever from the index, forcing many investors to sell the shares without the premium associated with an acquisition.

Unilever said yesterday it expected to remain in both the FTSE 100 and the Dutch AEX index.

Another stumbling block under Mr Polman was a perception that Unilever was seeking the protection of the tougher Dutch takeover code, which would shield it from hostile approaches such as that of Kraft Heinz in 2017.

The previous attempt to consolidate Unilever's legal structure came against a backdrop of troubled relationships with some shareholders.

Mr Polman "was famously hostile towards investors with short-term horizons," said Martin Deboo, analyst at Jefferies. He noted that the new strategy follows a change in nationalities at the top of Unilever: Mr Polman and the former chairman, Marijn Dekkers, were both Dutch. The Dutch prime minister, Mark Rutte, is himself a former Unilever executive.

Now the company has a Scottish chief executive in Mr Jope, while Mr Andersen — who formerly headed the shipping group AP Moller Maersk and brewer Carlsberg — is Danish.

Mr Jope has set a different tone. One top-30 investor said he "came across really well [in meetings] and the feedback from fund managers was overwhelmingly positive".

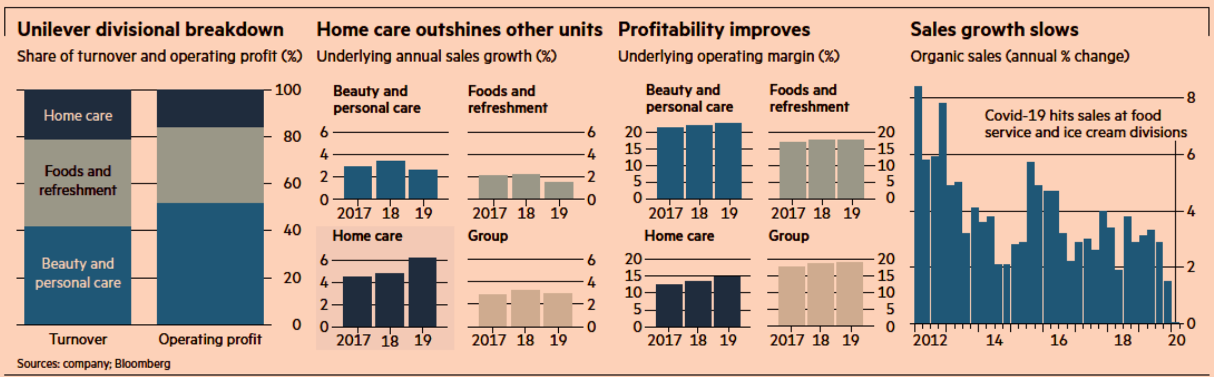
The Dutch government remains a key stakeholder, however. But while saying it "regretted" Unilever's move, it does not appear to be seeking to block it.

Unilever said it had made commitments to the Dutch including shifting some supply chain functions to Rotterdam from elsewhere. It has promised that if it lists its foods and refreshments division as an independent company, that will take place in the Netherlands.

With the UK currently retaining its trade and regulatory arrangements with the EU, Unilever can carry out the shift — structured as a merger in which each holder of a Dutch share will instead receive a newly issued UK share — in a relatively short time under the EU's cross-border mergers regime.

Warren Ackerman, analyst at Barclays, said: "I think it will be rubber stamped quickly."

Additional reporting by Arash Massoudi



Sources: company; Bloomberg

Unilever's move to create a single entity based in London means the maker of products including Marmite, right, can remain in the FTSE 100 index — Hannah Mckay/Reuters

Financials

Ethnic minority analysts sidelined

ROBERT ARMSTRONG — NEW YORK

Financial analysts from minority racial groups enjoy less access to corporate management than their white peers, according to a study that analyses transcripts from tens of thousands of company conference calls.

The study found that minority analysts in the US were 5 per cent less likely to be given time to ask questions on company calls than white peers and 20 per cent less likely to be given time for a follow-up question, a pattern that was consistent across the 2002-17 study period.

The opportunity to ask questions in conference calls is not in itself particularly important to the careers of sellside analysts, who work for banks and brokers, the authors argue, but it may be a good proxy for more important forms of discrimination.

Nate Sharp, one of the authors and a professor of business at Texas A&M University, said that securing private conversations with management teams, for themselves and for clients, was the most highly valued skill for sellside analysts.

"If minority analysts are discriminated against in such a public setting, we argue that is probably the floor for discrimination in more private settings," he said.

Executives at large public companies in the US remain overwhelmingly white. The study, entitled "A Level Playing Field?" was co-authored by Mr Sharp and three other scholars at Texas A&M and Brigham Young University. It looked at the interactions of some 7,500 analysts with executives on about 95,000 calls.

To ensure that the racial differences in which analysts were chosen to speak were not a byproduct of minority representation at the big "bulge bracket" Wall Street firms, the results were controlled for firm size. The authors found that the average sizes of the firms where minority and white analysts worked were only slightly different.

The proportion of minority analysts grew dramatically over the study period, from 11 per cent to 21 per cent of the total, but that is still lower than the US population, which is comprised of more than one-third ethnic minorities. The greater numbers over the period had no effect on interaction with management during calls.

Minority analysts who have been voted on to Institutional Investor's prestigious "all-star" analyst list by their clients have the same odds of being allotted time for a question on calls as white analysts, the study found. But such analysts still have the same, lower odds, of being permitted a follow-up question, and the probability of being voted an all-star is 32 per cent lower for minorities than for white analysts.

Food & beverage

Beyond Meat sinks teeth into Europe

EMIKO TERAZONO — LONDON

The battle for market share among plant-based meat groups in Europe is set to heat up as Beyond Meat embarks on an "aggressive" pricing strategy and talks with fast-food chains.

The US plant-based meat company launched its first European manufacturing facility yesterday in the Netherlands — owned and operated by Zandbergen, its distribution partner. The plant will boost its capacity in the region and offer products in a more timely manner.

Ethan Brown, chief executive, has already announced the company will discount its products in the US market this summer to compete with real meat, and said it would pursue a similar strategy across the Atlantic. "We will have a more aggressive pricing in Europe as well this summer . . . We are bullish on market share," he said.

The company is in discussions with several fast-food chains in Europe to offer Beyond Meat products, although Mr Brown would not disclose their names. Earlier this year the company announced a tie-up with Starbucks in China, and this month said it would partner with Yum China to trial its burgers in selected KFC, Pizza Hut and Taco Bell outlets.

"If you look at our modus operandi, we look for marquee customers in each of the markets we enter, and we probably wouldn't be making this level of investments in Europe if we didn't think that there was something there for us in terms of large, quick-service restaurants," Mr Brown said.

Beyond Meat also announced the acquisition of its first self-owned European plant, also in the Netherlands.

There is more competition among plant-based meat brands on supermarket shelves in Europe, with companies including Beyond Meat and start-ups vying for space. Large food conglomerates such as Unilever and Nestlé are also jostling for market share. US group Impossible Foods has also applied to the region's food safety authority for permission to sell its plant-based burgers.

Sales of plant-based meat substitutes jumped in western markets amid the pandemic. This was partly reflected in Beyond Meat's first-quarter figures, as strong retail demand boosted sales, helping to offset the effect of the closure of restaurants in the US. It reported a 141 per cent rise in first-quarter revenues to $97m, net income of $1.8m compared with a loss a year ago and gross margins of 39 per cent.

Beyond Meat shares have more than doubled since the start of the year to $159 on the back of tight meat supplies caused by US slaughterhouses becoming Covid-19 hotspots, as well as its partnerships in China.

Equities. Placements

Investors react positively to bumper crop of share sales

WHSmith was one of the first to market, issuing stock worth £166m in April to protect the business
Daniel Jones

Split is now about 50:50 between opportunistic and emergency moves

CAMILLA HODGSON

UK-listed companies have tapped shareholders for more than £10bn since the pandemic took hold, with some looking to top up acquisition war chests and others raising emergency funds to ride out the deepest recession for centuries.

At least 69 companies have issued equity valued at £5m or more since the middle of March for pandemic-related reasons, raising £10.5bn in total, according to data compiled by analysts at Peel Hunt.

A total of £2.8bn of equity has been raised by 14 companies in the past fortnight alone, with gambling group Flutter Entertainment issuing stock worth £813m to take advantage of "opportunities" caused by turmoil and expand its US business.

The pandemic sent markets plunging in March, although equities around the world have rebounded at a speed that has confounded some analysts.

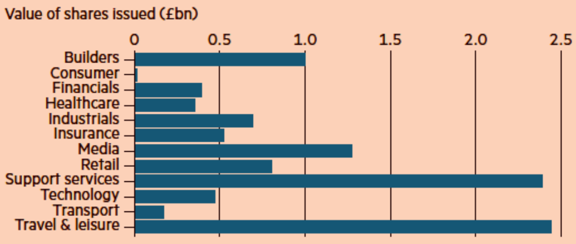
In the UK and elsewhere, companies in some of the worst-hit sectors, such as travel and leisure, moved quickly to issue new shares to shore up their balance sheets as sales plummeted.

Jonathan Parry, a partner in law firm White & Case's capital markets group, said that when the crisis hit, a series of planned initial public offerings were shelved and "we flipped quite quickly into equity raisings".

One of the first companies to market was high street retailer WHSmith, which issued stock worth £166m in early April to protect the business in what it described as "the most challenging of trading environments".

Hard-hit UK travel and leisure groups move quickly to issue shares

Value of shares issued (£bn)



Sources: Peel Hunt; FT research

As the initial panic began to subside, however, opportunists looking to differentiate themselves from their competitors began to tap shareholders for funds to support growth or potential M&A deals.

Last month online fashion retailer Boohoo issued £198m in equity to "take advantage of numerous opportunities" likely to emerge in the coming months, including possible takeover deals.

Companies are obliged to use the proceeds from an equity issuance for the specific purposes outlined when the placement was announced, but some have been vague on their intentions.

Catering group Compass raised £2bn last month, for example, saying the money would be used to "strengthen the company's balance sheet and liquidity position" in order to "support long-term growth" and ensure resilience "in the event of further negative developments in the pandemic".

Tom Johnson, head of equity capital markets for Emea at Barclays, said the bank was now seeing a roughly 50:50 split between opportunistic and emergency placements, following an initial flurry of fundraisings from companies in trouble.

"We would expect to see more rights issues once half-year numbers are announced and companies look to address longer-term capital structure issues," he said.

If companies are looking to spend the funds raised on doing deals, they have some stiff competition: analysts note that private equity firms and hedge funds are also looking to move in on companies trading at distressed prices.

"We are expecting to see opportunism [from private equity] in certain sectors, particularly the real estate sector," said Julian Stanier, a partner at law firm Pinsent Masons who specialises in corporate finance.

Fabian de Smet, global head of equity syndicate at Berenberg, the German investment bank, said hedge funds had been "coming to us with a shopping list" of businesses that they thought were fundamentally valuable but had been badly affected by the pandemic.

'If you take the view that any particular group will get through and it's well managed, you could argue that these are well priced'

Peel Hunt said the market reaction to the bumper crop of corporate share sales had been broadly positive, noting that the share prices of almost all of the 69 companies had risen since the placements.

Shares were offered at an average discount to the previous day's close of 8.1 per cent.

That is a bigger price reduction compared with placings at the start of the pandemic. Between mid-March and early May, shares were issued on the UK market at an average discount to the previous day's close of 4.4 per cent.

Bankers and lawyers agreed that shareholders had in general been supportive of companies' efforts to bolster their balance sheets.

"If you take the view that any particular company is going to get through Covid-19, and it's well managed and it will still be in existence this time next year, then actually you could argue that these shares are very well priced," said Mr Parry.

This crisis was different from 2008, as "no one is really responsible for what is happening" and investors "know it's bad luck", said Mr de Smet.

But Christopher Rossbach, chief investment officer at J. Stern & Co, an asset manager, took a dimmer view, saying investors in some companies that were doing emergency fundraisings were "throwing good capital after bad".

"That capital isn't going towards realising opportunities; it's going to shore up existing businesses," he said. "Should you be investing in those companies in the first place?"

Asset management

Ackman targets $1bn for buyout vehicle

ORTENCA ALIAJ — NEW YORK

Bill Ackman's hedge fund Pershing Square is planning to raise more than $1bn from the stock market for a buyout vehicle, making him the latest high-profile investor to seize on the "blank cheque" boom.

The New York-based manager has filed confidentially for an initial public offering with US regulators, according to sources briefed on the matter.

If successful, the so-called special purpose acquisition vehicle, or spac, could be one of the largest raised this year.

Spacs have become increasingly popular on Wall Street as a way for private companies to go public through what is often referred to as a "backdoor listing".

Spac investors have not decided on the target company in advance; they are effectively making a bet on the ability of top executives to identify and execute deals.

Mr Ackman, whose Pershing Square runs $10bn in assets, joins a growing cohort of investors who have raised funds on public markets amid growing demand for IPOs.

Chamath Palihapitiya, the former Facebook executive who brought Richard Branson's Virgin Galactic to the public markets last year through a blank cheque company, has raised $1bn for his second act.

Spac investors are in effect making a bet on the ability of top executives to identify and execute deals

Spacs were popular in the years before the 2008 financial crisis, peaking at $9.2bn in 2007, according to data from Dealogic. Shell companies lost their lustre in the immediate aftermath of the financial crisis but have since made a roaring comeback with a record $13.4bn raised in the US last year, according to Dealogic.

Investors often see spacs as a low-risk proposition because the shell company is forced to return committed capital if it cannot execute a deal within a two-year period.

However, mergers and acquisitions agreed before the coronavirus crisis have recently come under pressure from the impact of the pandemic on markets and global travel.

Far Point Acquisition Corp, a blank cheque group organised by Daniel Loeb's Third Point and run by former New York Stock Exchange president Tom Farley, has advised shareholders not to approve its $2.6bn deal for the Silver Lake-backed payment provider Global Blue.

Mr Ackman's decision to raise money for a blank cheque company comes at an opportune time for the billionaire investor. He has been on a winning streak this year: his hedge fund is up 33 per cent year-to-date after a well-timed bet against corporate bond markets.

Pershing Square declined to comment.

See Lex

Commodities

Trafigura hails 'superior' forecasting after volatility brings oil price profits

DAVID SHEPPARD AND NEIL HUME
LONDON

Trafigura, one of the world's largest commodity traders, has emerged as a winner from the sharp decline in crude prices caused by the coronavirus pandemic, reporting a record half-year for its oil and refined fuels division.

The company, which is run from Geneva, said yesterday the 27 per cent jump in its interim profits was driven by "significant volatility and dislocations in the global market".

It claimed to have correctly forecast the sharp decline in oil demand due to the health crisis.

"Our market intelligence on the impact of Covid-19 and of the decisions by Opec and other oil producers on demand and supply, enabled us to act efficiently and effectively," said Christophe Salmon, chief financial officer.

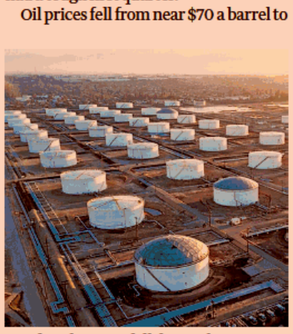
"This superior market understanding, combined with our physical infrastructure and our supply chain management capacity, were key in balancing the oil market during these unprecedented times," he added.

The performance of Trafigura's oil business in the early stages of the price collapse contrasts with that of some of its rivals.

Vitol, the world's largest independent oil trader, suffered a sharp decline in net income in the first three months of this year due to the rapid spread of the coronavirus. However, its trading profits are said to have improved in April and May.

Gunvor, another energy trader, also had a tough first quarter.

Oil prices fell from near $70 a barrel to below $20 in April, with US benchmark West Texas Intermediate turning negative at one stage as plummeting global demand threatened to overwhelm storage facilities.



Crude oil prices fell from almost $70 a barrel to below $20 in April

Trafigura's results included the last three months of 2019 when big oil traders benefited from tighter physical crude markets. Higher trading volumes also led to a strong contribution from its metals and minerals division.

However, the demand shock in energy markets due to coronavirus led to writedowns on some of Trafigura's investments and stakes in physical infrastructure.

Those included an impairment of $287m on the value of its stake in its India-based Nayara oil refining venture with Russia's Rosneft. Its shareholding in Puma Energy, a debt-laden fuel retailer, was also written down by $293m.

In the six months to March, Trafigura reported net income of $542m, up from $426m in the same period a year earlier, from revenue of $83bn. Gross profit margins across the oil, metals and minerals businesses more than doubled to 3.8 per cent from 1.7 per cent.

Equities

NetEase jumps on $2.7bn HK debut as peers ponder further 'homecomings'

PRIMROSE RIORDAN, HUDSON LOCKETT AND MERCEDES RUEHL

Shares in tech group NetEase surged on their Hong Kong debut following a $2.7bn secondary offering, as tension between Washington and Beijing prompts more Chinese companies to raise cash in the city.

In early trading yesterday, the stock rose as much as 10 per cent as China's biggest maker of online video games found strong demand. By late afternoon in Hong Kong the shares were up just over 6 per cent.

Hong Kong's stock exchange is expected to benefit due to a flare-up in US-China frictions. Several big companies from the second-largest economy have lined up "homecoming" listings in the city as the Trump administration increases pressure on Chinese companies that trade in US markets.

NetEase and JD.com — another China internet group — have for years traded exclusively in New York. The latter could raise $3.9bn ahead of its own secondary listing in Hong Kong next week, which would make it the territory's biggest stock debut of the year so far.

Investment bank China Renaissance estimated yesterday that more than $1tn worth of Chinese listings on Wall Street could be affected by proposed US legislation that would forcibly delist companies that fail to comply with US accounting standards.

China Renaissance identified more than 30 US listings of Chinese companies that qualify for a secondary listing in Hong Kong, including tech groups Baidu, Pinduoduo and iQiyi.

China groups listed in HK or the mainland 'typically receive strong interest at higher valuations'

The bank also pointed out that Chinese companies listed in Hong Kong or the mainland "typically receive strong investor interest at higher valuations, and better initial price performance".

Baidu, the company behind China's leading search engine, is also considering an offering in the city.

The trend for such homecoming listings was kicked off last year by ecommerce group Alibaba, whose $13bn offering also coincided with a spike in US-China tensions.

The wave of listings could also boost Hong Kong, which has become one of the main battlegrounds in US-China tensions.

Washington said last month it plans to eliminate the former British colony's trading privileges after Beijing announced plans to impose a national security law.

The Asian financial hub has been rocked by months of anti-government protests and the local economy is mired in a recession. Tourists from mainland China — a big source of Hong Kong's income — have avoided Hong Kong due to the political unrest.

JD.com's shares are set to begin trading on June 18 at HK$226 per share, or an almost 4 per cent discount to their US-listed American Depositary Receipts, two people familiar with the deal said.

JPMorgan, Credit Suisse and CICC are joint sponsors of NetEase's Hong Kong listing.

Bank of America, UBS and CLSA are joint sponsors of JD.com's offering.

The day in the markets

What you need to know

- **Wall Street retreats after uptick in virus cases casts doubt on swift rebound**
- **US banks tumble following Fed pledge to keep rates lower for longer**
- **Oil plummets, with Brent crude falling beneath $40**

The Federal Reserve's downbeat prognosis on the US economy, combined with fears over a second wave of coronavirus infections, helped to send stocks tumbling yesterday.

The FTSE All-World index slid 3.3 per cent, its steepest one-day fall since April, a day after the US central bank indicated it would take years to bring the unemployment rate back down to pre-pandemic levels.

More than 1.5m Americans filed for first-time unemployment benefits last week, taking the number of applications to 44m since the US lockdown began in mid-March. While the pace of jobless claims has slowed, a US unemployment rate of 13.3 per cent remains above its peak during the 2008-09 financial crisis. The Fed said it expected the jobless rate to fall only to 9.3 per cent this year, dashing hopes of a V-shaped recovery in the largest economy.

Weighing on sentiment was also a jump in new coronavirus cases. More than two-thirds of the 13 states that reported more than 500 coronavirus cases on Wednesday were from US regions that began to reopen their economies early last month, according the Covid Tracking Project.

Wall Street was down sharply at midday in New York, with both the Dow Jones Industrial Average and S&P 500 falling 4 per cent while the tech-heavy Nasdaq Composite slid 2.7 per cent, retreating from the 10,000 mark.

"The Fed's take on the economy, rising infections, and fears of a second wave have triggered the negativity," said Bill Blain, market strategist at Shard Capital.

Among the worst-hit stocks were US banks after Fed officials projected interest rates remaining close to zero until at least the end of 2022.

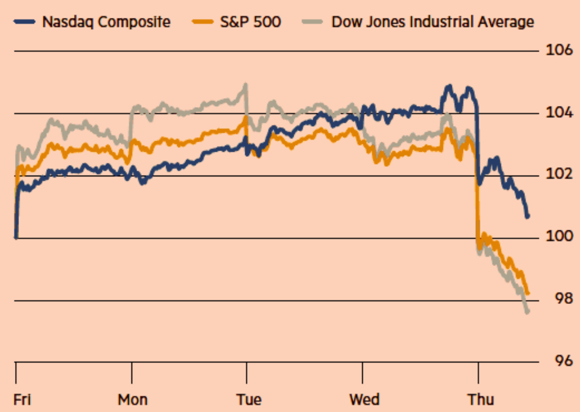
The KBW Bank index, which tracks US lenders, fell 7.5 per cent yesterday, as lower interest rates tend to hurt banks' profits.

On both sides of the Atlantic, energy was the weakest sector, tracking a slide in crude prices. Both global benchmark Brent crude and US marker WTI declined 8 per cent to $38.34 and $36.23 a barrel.

Europe's oil and gas sector closed down more than 6 per cent, lagging the 4 per cent fall in the wider Stoxx Europe 600 benchmark.

The jitters helped haven assets rally. The yields on the 10-year US Treasury and Bunds slid 7 basis points and 9 bps respectively as investors sought the relative safety of core government debt.
Ray Douglas

Wall Street tumbles after Fed's gloomy prognosis
Indices rebased



Source: Refinitiv

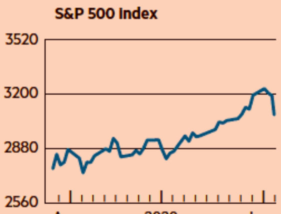
Markets update

	US	Eurozone	Japan	UK	China	Brazil
Stocks	**S&P 500**	**Eurofirst 300**	**Nikkei 225**	**FTSE100**	**Shanghai Comp**	**Bovespa**
Level	3078.70	1378.16	22472.91	6076.70	2920.90	94685.98
% change on day	-3.49	-4.11	-2.82	-3.99	-0.78	-2.13
Currency	**$ index (DXY)**	**$ per €**	**Yen per $**	**$ per £**	**Rmb per $**	**Real per $**
Level	96.404	1.138	106.645	1.264	7.070	4.974
% change on day	0.464	0.264	-0.559	-0.940	0.040	1.414
Govt. bonds	**10-year Treasury**	**10-year Bund**	**10-year JGB**	**10-year Gilt**	**10-year bond**	**10-year bond**
Yield	0.670	-0.415	0.000	0.198	2.809	6.390
Basis point change on day	-11.170	-8.300	-1.930	-6.800	-2.200	-28.400
World index, Commods	**FTSE All-World**	**Oil - Brent**	**Oil - WTI**	**Gold**	**Silver**	**Metals (LMEX)**
Level	343.16	37.98	35.47	1722.05	17.72	2656.90
% change on day	-3.74	-7.95	-9.19	0.50	0.48	1.63

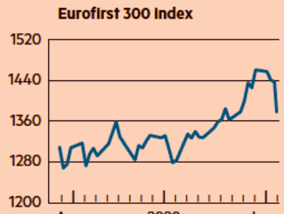
Yesterday's close apart from: Currencies = 16:00 GMT; S&P, Bovespa, All World, Oil = 17:00 GMT; Gold, Silver = London pm fix. Bond data supplied by Tullett Prebon.

Main equity markets

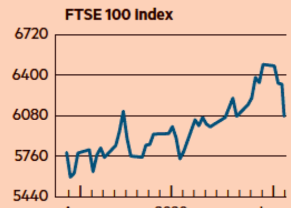
S&P 500 index



Eurofirst 300 index



FTSE 100 index



Biggest movers

%	US		Eurozone		UK	
Ups	Kroger Co (the)	2.30	Seadrill	2.18	Polymetal Int	2.13
	Cabot Oil & Gas	1.61	Coloplast	1.09	Fresnillo	1.15
	Netflix	1.46	Unilever	0.49	London Stock Exchange	0.35
	Regeneron Pharmaceuticals	1.13	Jeronimo Martins	0.36	Tesco	0.31
	Dollar General	0.98	Orkla	0.35	Rentokil Initial	0.23
Downs	Oneok	-16.14	Renault	-14.08	Carnival	-12.14
	Norwegian Cruise Line Holdings Ltd	-15.25	Cnh Industrial	-11.82	Melrose Industries	-10.22
	Occidental Petroleum	-14.14	Klepierre	-10.91	Itv	-9.22
	Carnival	-13.56	Airbus	-10.54	Rolls-royce Holdings	-8.97
	Alliance Data Systems	-13.46	Ses	-9.76	Informa	-8.82

Prices taken at 17:00 GMT. Based on the constituents of the FTSE Eurofirst 300 Eurozone. All data provided by Morningstar unless otherwise noted.

Wall Street

Norwegian Cruise Line, **Carnival** and **United Airlines** all plunged as worries about an economic relapse and a second wave of Covid-19 infections sent US travel stocks tumbling.

Wynn Resorts was the sharpest faller among the casino operators after reporting a drop of more than 99 per cent in visitor numbers to Macau from mainland China in April.

Retailers reliant on malls and department stores also weakened with **Under Armour**, **L Brands** and Calvin Klein owner **PVH** all under pressure.

Mall owners **Simon Property** and **Site Centers** dropped, with Raymond James analysts turning cautious on concerns that the pandemic had shifted the balance of power in rent negotiations towards their tenants. "Even if an economic recovery continues unabated (which is far from certain), retailer bankruptcies are likely to continue, store counts will be rationalised, and the economics of some businesses may simply no longer support the same level of rent moving forward," the broker said.

Energy stocks slumped in tandem with oil prices, which were down between 7 per cent and 8 per cent by the European close. **Oneok**, the Oklahoma natural gas company, led the S&P 500 fallers after launching a share placing to raise around $1bn. *Bryce Elder*

Eurozone

Unibail-Rodamco-Westfield and **Klépierre** slid after broker UBS cut forecasts and repeated "sell" advice on the European shopping centre owners.

The stock market "appears to be pricing in flat rental growth to perpetuity" at a time of unprecedented headwinds, such as the switch to ecommerce, which Covid-19 is "likely to have accelerated", UBS said. Dividend cuts over the past few months were only the first phase of the crisis, it added, with phase two requiring companies to sharply reduce loan-to-value ratios and restore financial stability.

Bank of America also advised selling **Unibail**, citing rising pressure from tenants. It said that by the end of 2022 about 44 per cent of the group's rents would expire or reach a break option.

Alfa-Laval of Sweden slipped after Barclays advised selling the heavy industries engineer. It cited the risk of Alfa's biggest customers resetting capital expenditure plans, in particular in the marine and cruise ship markets that provide 40 per cent of group earnings.

Telecom Italia fell on a downgrade to "neutral" from JPMorgan. It expected the company to part-sell its network to KKR within the next two months but said cash flow guidance was probably too high.

French semiconductor materials maker **Soitec** slipped after cutting sales targets for the 2022 full year. *Bryce Elder*

London

The FTSE 100 recorded its sharpest daily fall since March, but **Rentokil** managed to dodge the selling pressure after a positive update from its main rival.

ServiceMaster, the second-biggest pest control company in the US after Rentokil, said in a second-quarter trading update that job postponements had lessened. The residential pest control market was guided at flat to slightly lower year on year with termite and home services up between 3 and 5 per cent.

Pest control accounts for nearly two-thirds of Rentokil's revenue, with the North American market alone providing just over a third of the group total, said Barclays. It noted that Rentokil has consistently outperformed ServiceMaster and advised clients to buy ahead of interim results from the UK group due at the end of July.

A broad reversal for economically sensitive stocks sunk the wider market with **ITV** and banks such as **Lloyds** and **Barclays** leading the fallers. **Rolls-Royce** was also weaker amid continued speculation about a possible cash call.

Synthomer, the speciality chemicals maker, dropped after Bank of America started coverage with "underperform" advice. The acquisition last year of US peer Omnova was poorly timed, leaving Synthomer with too much debt and high execution risk, it said. *Bryce Elder*

Bad things start to happen when finance front-runs the economy

Mohamed El-Erian

Markets Insight

For most of the past 15 years, the US economy has relied on a mix of public and private finance to liquefy financial markets, boost asset prices and drive economic growth.

What used to be a sequential process — private sector credit factories at full force during the good times, and vast injections of liquidity from the public sector during the more difficult times — has evolved into a simultaneous one. The resulting explosion in leverage has been cheered by markets and most economists, for now. But it will become a lot more problematic should finance's front-running of the economy not be validated by strong growth that is also inclusive and sustainable.

Let us start with how we got to the great disconnect between economic and corporate fundamentals and appetites for risk, on the part of both providers and users of debt financing.

Going into the global financial crisis in 2008, private sector credit creation had operated in turbo-charge mode. In addition to buoyant issuance of bonds, there was a rapid rise in securitisation, which found new ways to lever corporate and household balance sheets while reducing barriers to entry for creditors. But the whole process got carried away, resulting in huge risk-taking.

As the private sector went into a disorderly mode of deleveraging, the public sector had to step in and do whatever it could to avoid a depression. Government debt and the Federal Reserve's balance sheet soared — accompanied by assurances from officials that this growth would be reversed once economic growth recovered.

But exiting this regime proved difficult in the post-crisis years. A premature attempt to limit government deficits undermined growth, adding to households' economic insecurity — especially as the benefits of the meagre growth flowed to the better-off segments of society. Rather than reduce its balance sheet, the Fed felt compelled to expand it, waiting for an elusive policy handoff to those more able to deliver genuine and durable economic growth.

Meanwhile, the private sector went on a borrowing binge as Fed-repressed interest rates encouraged and enabled not only the funding of operational expansion but also — in a much bigger way — the buying back of stock, the paying of high dividends and the pursuit of mergers and acquisitions. Then came the Covid-19 shock to the economy and markets.

> The huge rise in leverage will prove advisable and sustainable if, and only if, growth picks up quickly

Facing a new threat of depression, the public sector pivoted to a "whatever it takes" paradigm. The Fed's balance sheet exploded — almost doubling to near-$7tn in less than a couple of months — as did US government borrowing, rising by an extra 15 per cent of gross domestic product.

The scale of such policies was once considered unthinkable. To overcome the risks of market malfunction and a credit freeze, the Fed is now underwriting not just liquidity risk and credit risk for high-quality companies, but also the risk of default in the junk-bond market. Fiscal measures have included sending cheques to US households as part of a broad-based relief effort.

The immediate impact on financial markets has been beneficial. Corporate bond issuance has been setting new records, as have inflows of investors' funds into credit markets, despite very low yields. The spillover effects include more than $300bn of emerging-market bond issuance in the first five months of the year, exceeding levels for the same periods in 2018 and 2019.

This huge rise in financial leverage will prove advisable and sustainable if, and only if, economic growth picks up quickly and validates it. In such a scenario, companies' and countries' use of debt to bolster cash buffers and offset huge revenue shortfalls would be deemed to have been a wise way to avoid temporary liquidity problems turning into a crippling solvency risk.

But if growth disappoints, the economy and markets will have to cope with a big debt overhang that results in even greater central bank distortions of markets and lower growth potential.

Given that this nascent economic recovery is subject to uncertainty, the answer is not to de-lever balance sheets quickly. Instead, there is a need for an evolution. Governments should ensure a stronger foundation for high and durable growth that benefits more than the well-off in society, and investors should be more disciplined in minimising exposures to bankruptcy risk and capital impairments. Lastly, companies need to resist the temptation to use debt for more financial engineering and higher executive pay.

The writer is Allianz's chief economic adviser and president-elect of Queens' College, University of Cambridge

MARKET DATA

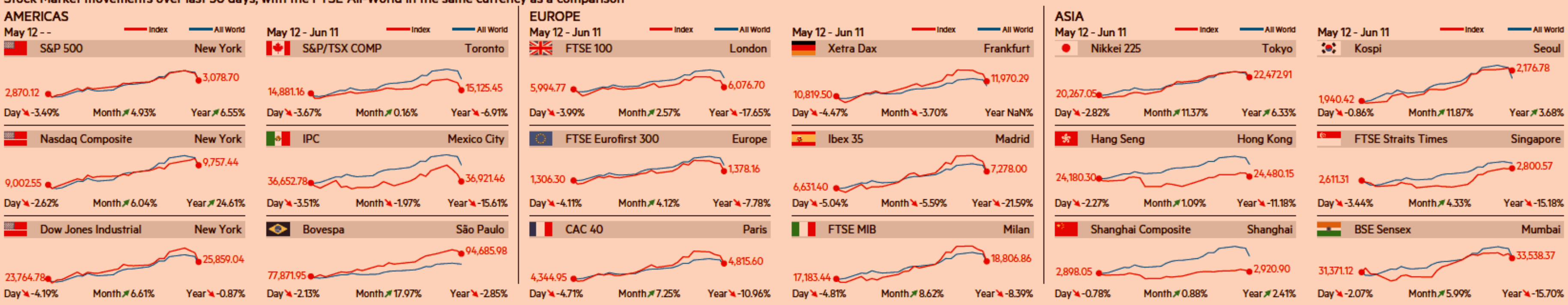
WORLD MARKETS AT A GLANCE

FT.COM/MARKETSDATA

Change during previous day's trading (%)

S&P 500	Nasdaq Composite	Dow Jones Ind	FTSE 100	FTSE Eurofirst 300	Nikkei	Hang Seng	FTSE All World $	$ per €	$ per £	¥ per $	£ per €	Oil Brent $ Sep	Gold $
-3.49%	-2.62%	-4.19%	-3.99%	-4.11%	-2.82%	-2.27%	-3.74%	0.264%	-0.940%	-0.559%	1.124%	-5.38%	0.50%

Stock Market movements over last 30 days, with the FTSE All-World in the same currency as a comparison



Country	Index	Latest	Previous
Argentina	Merval	43790.29	46476.07
Australia	All Ordinaries	6079.50	6269.30
	S&P/ASX 200	5960.60	6148.40
[illegible]	[illegible]	[illegible]	[illegible]
China	FTSE A200	10555.90	10677.89
	FTSE B35	9000.71	8988.96
	Shanghai A	3061.65	3085.61
	Shanghai B	207.22	208.73
	Shanghai Comp	2920.90	2943.75
	Shenzhen A	1951.95	1962.04
	Shenzhen B	859.51	865.17
Colombia	COLCAP	1177.99	1209.99
Croatia	CROBEX	2013.05	2011.29
Cyprus	CSE M&P Gen	68.46	68.68
Czech Republic	PX	907.84	941.92
Denmark	OMXC Copenahgen 20	1226.03	1242.90
[illegible]	[illegible]	[illegible]	[illegible]
	FTSE/ASE 20	1557.48	1606.28
Hong Kong	Hang Seng	24480.15	25049.73
	HS China Enterprise	9944.60	10143.48
	HSCC Red Chip	3836.09	3929.90
Hungary	Bux	36640.64	37514.79
India	BSE Sensex	33538.37	34247.05
	Nifty 500	8137.00	8293.35
Indonesia	Jakarta Comp	4854.75	4920.68
Ireland	ISEQ Overall	5851.20	6107.42
Israel	Tel Aviv 125	1438.52	1439.34
Italy	FTSE Italia All-Share	20539.62	21544.18
	FTSE Italia Mid Cap	32437.76	33798.73
	FTSE MIB	18806.86	19758.01
[illegible]	[illegible]	[illegible]	[illegible]
Luxembourg	LuxX	995.10	1049.16
Malaysia	FTSE Bursa KLCI	1557.25	1575.27
Mexico	IPC	36921.46	38266.19
Morocco	MASI	10127.49	10154.93
Netherlands	AEX	540.26	559.27
	AEX All Share	773.05	798.82
New Zealand	NZX 50	11154.93	11260.52
Nigeria	SE All Share	25335.15	25249.96
Norway	Oslo All Share	890.90	921.23
Pakistan	KSE 100	35128.58	35065.08
Philippines	Manila Comp	6476.24	6439.37
Poland	Wig	51486.94	51289.49
Portugal	PSI 20	4356.08	4483.21
[illegible]	[illegible]	[illegible]	[illegible]
	FTSE/JSE Res 20	49175.05	49092.78
	FTSE/JSE Top 40	48892.12	49204.82
South Korea	Kospi	2176.78	2195.69
	Kospi 200	288.62	291.90
Spain	IBEX 35	7278.00	7663.90
Sri Lanka	CSE All Share	4917.24	4917.54
Sweden	OMX Stockholm 30	1609.06	1692.32
	OMX Stockholm AS	624.71	654.67
Switzerland	SMI Index	9828.58	10147.18
Taiwan	Weighted Pr	11535.77	11720.16
Thailand	Bangkok SET	1396.77	1418.77
Turkey	BIST 100	109155.41	109778.94
[illegible]	[illegible]	[illegible]	[illegible]
	DJ Utilities	799.75	824.72
	Nasdaq 100	9874.14	10094.26
	Nasdaq Cmp	9757.44	10020.35
	NYSE Comp	11890.07	12449.22
	S&P 500	3078.70	3190.14
	Wilshire 5000	31276.98	32465.99
Venezuela	IBC	329633.12	332013.12
Vietnam	VNI	867.37	900.00
Cross-Border	DJ Global Titans ($)	365.50	375.78
	Euro Stoxx 50 (Eur)	3159.23	3293.71
	Euronext 100 ID	947.73	989.21
[illegible]	[illegible]	[illegible]	[illegible]
	FTSEurofirst 100 (Eur)	3595.59	3772.59
	FTSEurofirst 80 (Eur)	4302.09	4504.71
	MSCI ACWI Fr ($)	539.76	541.23
	MSCI All World ($)	2267.36	2275.28
	MSCI Europe (Eur)	1497.16	1503.37
	MSCI Pacific ($)	2668.47	2664.09
	S&P Euro (Eur)	1434.38	1500.20
	S&P Europe 350 (Eur)	1413.14	1474.68
	S&P Global 1200 ($)	2431.75	2519.35
	Stoxx 50 (Eur)	2941.26	3047.51

(c) Closed. (u) Unavaliable. † Correction. ♥ Subject to official recalculation. For more index coverage please see www.ft.com/worldindices. A fuller version of this table is available on the ft.com research data archive.

STOCK MARKET: BIGGEST MOVERS

AMERICA

ACTIVE STOCKS	stock traded m's	close price	Day's change
Boeing	80.6	183.32	-20.09
Amazon.com	63.8	2646.69	-0.76
Apple	62.3	348.29	-4.56
Microsoft	36.5	192.66	-4.18
Facebook	26.1	229.12	-7.61
Nvidia	23.3	363.66	-11.01
United Airlines Holdings	19.0	34.82	-4.91
Advanced Micro Devices	18.8	55.09	-2.35
Netflix	17.0	440.80	6.32
Jpmorgan Chase & Co	16.0	99.25	-6.81

BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups			
Kroger Co (the)	33.32	0.75	2.30
Cabot Oil & Gas	20.57	0.33	1.61
Netflix	440.80	6.32	1.46
Regeneron Pharmaceuticals	613.47	6.88	1.13
Dollar General	191.99	1.86	0.98
Downs			
Oneok	35.21	-6.78	-16.14
Norwegian Cruise Line Holdings Ltd	17.50	-3.15	-15.25
Occidental Petroleum	17.83	-2.94	-14.14
Carnival	17.80	-2.79	-13.56
Alliance Data Systems	48.94	-7.61	-13.46

Based on the constituents of the S&P500

LONDON

ACTIVE STOCKS	stock traded m's	close price	Day's change
Unilever	221.7	4336.00	-42.00
Ocado	156.3	1960.00	-119.00
Astrazeneca	151.2	8276.00	-128.00
Rio Tinto	149.8	4495.00	-83.50
Bp	136.4	320.90	-23.55
Hsbc Holdings	127.9	376.25	-24.30
Glaxosmithkline	109.3	1615.80	-34.80
Royal Dutch Shell	103.9	1279.80	-76.60
British American Tobacco	103.8	3000.50	-123.50
Royal Dutch Shell	101.9	1328.60	-84.40

BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups			
Centamin	167.40	11.50	7.38
Hochschild Mining	199.00	8.50	4.46
Plus500 Ltd	1212.50	50.00	4.30
Polymetal Int	1536.00	32.00	2.13
Petropavlovsk	27.80	0.55	2.02
Downs			
Cineworld	72.74	-14.96	-17.06
Aston Martin Lagonda Global Holdings	65.50	-11.70	-15.16
Carnival	1190.00	-164.50	-12.14
Senior	77.45	-10.05	-11.49
Synthomer	274.60	-34.20	-11.08

Based on the constituents of the FTSE 350 index

EURO MARKETS

ACTIVE STOCKS	stock traded m's	close price	Day's change
Unilever	480.7	47.39	0.23
Airbus	443.3	67.06	-7.90
Total	420.5	34.72	-2.29
Amadeus It	412.3	48.07	-3.21
Siemens Ag Na O.n.	410.0	99.11	-6.23
Asml Holding	409.6	300.40	-7.60
Sap Se O.n.	400.1	116.38	-4.08
Allianz Se Na O.n.	376.3	178.22	-7.32
Royal Dutch Shella	371.5	14.96	-1.11
Intesa Sanpaolo	365.7	1.62	-0.08

BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups			
Seadrill	0.50	0.01	2.18
Coloplast B A/s	142.73	1.54	1.09
Unilever	47.39	0.23	0.49
J.martins,sgps	15.34	0.05	0.36
Orkla	7.85	0.03	0.35
Downs			
Renault	21.35	-3.50	-14.08
Cnh Industrial	5.93	-0.79	-11.82
Klepierre	17.61	-2.15	-10.91
Airbus	67.06	-7.90	-10.54
Ses	6.25	-0.68	-9.76

Based on the constituents of the FTSEurofirst 300 Eurozone index

TOKYO

ACTIVE STOCKS	stock traded m's	close price	Day's change
Softbank .	1283.5	5185.00	-170.00
Fast Retailing Co.,	820.9	63320.00	-2720.00
Sony	655.6	7495.00	-1.00
Mitsubishi Ufj Fin,.	519.4	445.90	-23.10
Toyota Motor	411.3	6905.00	-189.00
Sumitomo Mitsui Fin,.	288.1	3210.00	-116.00
Recruit Hldgs Co Ltd	276.9	3923.00	-125.00
Tokyo Electron	253.9	23510.00	-370.00
Takeda Pharmaceutical	232.3	4062.00	-53.00
Mizuho Fin,.	227.3	136.80	-6.20

BIGGEST MOVERS	Close price	Day's change	Day's chng%
Ups			
Meiji Holdings Co.,	8300.00	40.00	0.48
Chubu Electric Power ,orporated	1418.00	6.50	0.46
Ntt Docomo,.	2901.00	11.00	0.38
Chugai Pharmaceutical Co.,	15855.00	45.00	0.28
Cyberagent,.	5120.00	10.00	0.20
Downs			
Takara Holdings .	966.00	-98.00	-9.21
Nissan Motor Co.,	423.00	-40.90	-8.82
T&d Holdings, .	986.00	-92.00	-8.53
Kawasaki Kisen Kaisha,	1063.00	-98.00	-8.44
Ihi	1671.00	-149.00	-8.19

Based on the constituents of the Nikkei 225 index

UK MARKET WINNERS AND LOSERS

FTSE 100	Jun 11 price(p)	%Chg week	%Chg ytd
Winners			
Polymetal Int	1536.00	2.6	28.9
Fresnillo	776.20	2.6	20.5
Centrica	40.12	1.7	-55.5
Bae Systems	516.60	1.1	-10.0
M&g	152.30	1.0	-37.5
Rio Tinto	4495.00	0.6	-0.7
Imperial Brands	1495.00	0.4	-20.3
Pearson	513.00	0.2	-21.1
Rentokil Initial	489.30	-0.1	7.4
Anglo American	1777.00	-0.2	-19.3
Glencore	168.70	-0.3	-30.0
Carnival	1190.00	-0.4	-67.4
Losers			
Just Eat Takeaway.com N.v.	7392.00	-17.8	-
Melrose Industries	111.15	-14.1	-54.1
Meggitt	292.50	-13.9	-55.3
Itv	76.00	-13.3	-49.6
Land Securities	592.60	-11.8	-40.4
Informa	434.20	-11.7	-49.9
British Land	401.70	-11.1	-36.1
Mondi	1426.00	-10.1	-19.4
Compass	1161.00	-9.9	-39.0
Johnson Matthey	2043.00	-9.2	-32.6
Smith (ds)	314.00	-9.1	-18.8
Whitbread	2303.00	-8.8	-45.2

FTSE 250	Jun 11 price(p)	%Chg week	%Chg ytd
Winners			
Petropavlovsk	27.80	12.6	118.9
Dixons Carphone	91.00	11.3	-36.0
Oxford Instruments	1400.00	10.6	-9.4
Airtel Africa	52.30	7.8	-33.6
Fisher (james) & Sons	1370.00	7.2	-33.2
Centamin	167.40	6.8	32.1
Icg Enterprise Trust	760.00	4.1	-25.1
Capita	39.77	4.0	-76.4
Helios Towers	184.00	3.4	23.2
C&c	211.00	2.9	-48.6
Countryside Properties	320.00	2.9	-31.7
Lancashire Holdings	787.00	2.7	0.8
Losers			
Biffa	210.50	-19.8	-21.9
Kainos	723.00	-18.0	-8.0
Senior	77.45	-14.9	-58.4
Cineworld	72.74	-14.9	-66.9
Chemring	232.50	-14.7	-6.1
Go-ahead	1000.00	-13.7	-54.7
Synthomer	274.60	-13.6	-24.9
Workspace	686.00	-13.1	-42.7
Hyve	115.60	-13.1	-96.0
Ti Fluid Systems	173.60	-12.7	-34.4
Ssp	270.80	-12.5	-59.1
Firstgroup	53.15	-12.4	-58.3

FTSE SmallCap	Jun 11 price(p)	%Chg week	%Chg ytd
Winners			
Countrywide	120.00	91.2	-65.6
Brown (n)	37.15	63.3	-76.7
Metro Bank	104.00	35.5	-50.3
Premier Oil	42.34	33.1	-57.5
Cmc Markets	259.00	32.0	75.5
Pendragon	10.40	28.9	-18.9
Ricardo	480.00	26.3	-38.6
Tullow Oil	31.94	25.2	-46.5
Volution	204.00	23.3	-19.7
Asa Int	156.25	22.5	-
Dialight	310.00	21.6	34.8
Dp Eurasia N.v.	40.00	21.2	-23.5
Losers			
Stobart Ld	42.00	-39.3	-62.4
Intu Properties	7.06	-21.2	-78.4
Biffa	210.50	-19.8	-21.9
Connect	13.00	-18.8	-63.4
Kainos	723.00	-18.0	-8.0
Menzies(john)	120.40	-17.8	-74.4
Amigo Holdings	14.90	-17.6	-78.9
Luceco	101.00	-15.4	-22.9
Lookers	22.95	-15.0	-59.3
Schroder Real Estate Investment Trust	35.00	-14.9	-37.9
Gem Diamonds	28.10	-14.8	-46.1
Chemring	232.50	-14.7	-6.1

Industry Sectors	Jun 11 price(p)	%Chg week	%Chg ytd
Winners			
Mining	17328.16	-0.1	-9.1
Fixed Line Telecommunication	1405.19	-1.7	-
Personal Goods	36141.05	-1.7	-5.0
Aerospace & Defense	3508.81	-2.3	-
Equity Investment Instruments	10203.98	-2.3	-6.8
Industrial Metals	3044.43	-2.5	-
Pharmaceuticals & Biotech.	17919.19	-2.8	0.4
Electronic & Electrical Equip.	8465.37	-2.8	-1.9
Food Producers	6458.51	-2.8	-
Household Goods	16739.52	-2.9	-6.6
Life Insurance	6064.79	-2.9	-
Beverages	21714.92	-3.2	-
Losers			
Forestry & Paper	16053.19	-9.9	-
Oil Equipment & Services	4181.38	-9.8	-
General Industrials	5005.80	-8.6	-
Automobiles & Parts	3052.06	-7.7	-
General Retailers	1962.85	-7.7	-21.6
Mobile Telecommunications	2864.49	-7.6	-
Real Estate Investment Trusts	2512.86	-7.4	-
Travel & Leisure	6502.14	-7.3	-36.9
Real Estate & Investment Servic	2380.44	-6.8	-
Construction & Materials	5957.52	-6.5	-
Industrial Transportation	1771.61	-6.0	-
Media	7164.86	-5.9	-

Based on last week's performance. †Price at suspension.

CURRENCIES

Jun 11	Currency	DOLLAR Closing Mid	DOLLAR Day's Change	EURO Closing Mid	EURO Day's Change	POUND Closing Mid	POUND Day's Change
Argentina	Argentine Peso	69.3135	0.0595	78.8854	0.2681	87.6332	-0.6999
Australia	Australian Dollar	1.4490	0.0185	1.6491	0.0251	1.8319	0.0073
Bahrain	Bahrainin Dinar	0.3771	-0.0001	0.4291	0.0010	0.4767	-0.0043
Bolivia	Bolivian Boliviano	6.9100	-	7.8642	0.0200	8.7363	-0.0773
Brazil	Brazilian Real	4.9740	0.0693	5.6609	0.0931	6.2887	0.0328
Canada	Canadian Dollar	1.3548	0.0118	1.5419	0.0173	1.7129	-0.0001
Chile	Chilean Peso	783.6200	15.1800	891.8354	19.5002	990.7327	10.5921
China	Chinese Yuan	7.0698	0.0028	8.0461	0.0236	8.9384	-0.0756
Colombia	Colombian Peso	3744.2700	60.3450	4261.3412	79.3388	4733.8914	35.0672
Costa Rica	Costa Rican Colon	580.0200	-0.6150	660.1189	0.9805	733.3207	-7.2757
Czech Republic	Czech Koruna	23.4536	0.0388	26.6925	0.1119	29.6524	-0.2130
Denmark	Danish Krone	6.5500	-0.0191	7.4545	-0.0027	8.2811	-0.0977
Egypt	Egyptian Pound	16.1825	0.0263	18.4172	0.0767	20.4596	-0.1476
Hong Kong	Hong Kong Dollar	7.7502	0.0001	8.8205	0.0225	9.7986	-0.0866
Hungary	Hungarian Forint	303.4971	0.7531	345.4090	1.7333	383.7121	-2.4360
India	Indian Rupee	75.7913	0.1938	86.2578	0.4393	95.8231	-0.6011
Indonesia	Indonesian Rupiah	14015.0000	35.0000	15950.4388	80.2947	17719.2177	-112.1969
Israel	Israeli Shekel	3.4537	0.0176	3.9307	0.0300	4.3666	-0.0162
Japan	Japanese Yen	106.6450	-0.6000	121.3723	-0.3725	134.8315	-1.9588
..One Month		106.6449	-0.6001	121.3723	-0.3725	134.8315	-1.9589
..Three Month		106.6448	-0.6003	121.3724	-0.3723	134.8314	-1.9591
..One Year		106.6442	-0.6015	121.3725	-0.3722	134.8315	-1.9596
Kenya	Kenyan Shilling	106.4500	-0.1500	121.1504	0.1378	134.5850	-1.3827
Kuwait	Kuwaiti Dinar	0.3075	0.0001	0.3500	0.0009	0.3888	-0.0034
Malaysia	Malaysian Ringgit	4.2465	-0.0055	4.8329	0.0060	5.3689	-0.0545
Mexico	Mexican Peso	22.3973	0.4100	25.4902	0.5303	28.3169	0.2723
New Zealand	New Zealand Dollar	1.5444	0.0111	1.7577	0.0171	1.9526	-0.0031
Nigeria	Nigerian Naira	388.0000	0.5400	441.5815	1.7359	490.5493	-3.6536
Norway	Norwegian Krone	9.5003	0.1297	10.8122	0.1747	12.0112	0.0590
Pakistan	Pakistani Rupee	164.4500	-0.0500	187.1600	0.4192	207.9145	-1.9042
Peru	Peruvian Nuevo Sol	3.4515	0.0155	3.9281	0.0276	4.3637	-0.0189
Philippines	Philippine Peso	50.2050	0.3640	57.1381	0.5585	63.4743	-0.0976
Poland	Polish Zloty	3.9295	-0.0025	4.4721	0.0085	4.9680	-0.0472
Romania	Romanian Leu	4.2495	-0.0099	4.8363	0.0011	5.3726	-0.0602
Russia	Russian Ruble	69.4675	0.5762	79.0607	0.8551	87.8279	-0.0425
Saudi Arabia	Saudi Riyal	3.7520	-0.0005	4.2701	0.0103	4.7437	-0.0426
Singapore	Singapore Dollar	1.3874	0.0022	1.5790	0.0065	1.7541	-0.0127
South Africa	South African Rand	17.0620	0.4490	19.4182	0.5591	21.5715	0.3817
South Korea	South Korean Won	1196.3500	5.2000	1361.5620	9.3653	1512.5483	-6.7564
Sweden	Swedish Krona	9.2220	-0.0251	10.4955	-0.0018	11.6593	-0.1352
Switzerland	Swiss Franc	0.9391	-0.0064	1.0688	-0.0045	1.1874	-0.0187
Taiwan	New Taiwan Dollar	29.6580	0.0015	33.7537	0.0875	37.4967	-0.3300
Thailand	Thai Baht	30.9400	-0.2250	35.2127	-0.1659	39.1175	-0.6333
Tunisia	Tunisian Dinar	2.8209	-0.0067	3.2105	0.0006	3.5665	-0.0401
Turkey	Turkish Lira	6.8260	0.0305	7.7686	0.0544	8.6301	-0.0375
United Arab Emirates	UAE Dirham	3.6732	-	4.1804	0.0106	4.6440	-0.0411
United Kingdom	Pound Sterling	0.7909	0.0069	0.9002	0.0102	-	-
..One Month		0.7910	0.0069	0.9001	0.0102	-	-
..Three Month		0.7910	0.0069	0.9000	0.0102	-	-
..One Year		0.7912	0.0069	0.8996	0.0102	-	-
United States	United States Dollar	-	-	1.1381	0.0029	1.2643	-0.0112
..One Month		-	-	1.1380	-0.1374	1.2643	-0.0112
..Three Month		-	-	1.1379	-0.1374	1.2644	-0.0112
..One Year		-	-	1.1371	-0.1374	1.2645	-0.0112
Venezuela	Venezuelan Bolivar Fuerte	-	-	-	-	-	-
Vietnam	Vietnamese Dong	23216.5000	25.5000	26422.6622	96.1343	29352.7140	-227.3089
European Union	Euro	0.8787	-0.0022	-	-	1.1109	-0.0127
..One Month		0.8786	-0.0022	-	-	1.1108	-0.0127
..Three Month		0.8784	-0.0022	-	-	1.1107	-0.0127
..One Year		0.8777	-0.0022	-	-	1.1103	-0.0127

Rates are derived from WM Reuters Spot Rates and MorningStar (latest rates at time of production). Some values are rounded. Currency redenominated by 1000. The exchange rates printed in this table are also available at www.FT.com/marketsdata

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	£ Strlg Jun 11	Day's chge%	Euro Index	£ Strlg Jun 10	£ Strlg Jun 09	Year ago	Div yield%	Cover	P/E ratio	X/D adj	Total Return
FTSE 100 (100)	6076.70	-3.99	5262.74	6329.13	6335.72	7367.62	4.94	1.44	14.08	107.14	5713.56
FTSE 250 (251)	16973.67	-3.59	14700.11	17605.46	17755.25	19250.06	3.76	1.79	14.82	136.88	13317.84
FTSE 250 ex Inv Co (186)	17325.81	-4.05	15005.08	18056.52	18244.64	20231.64	4.11	1.40	17.42	111.35	13876.08
FTSE 350 (351)	3401.69	-3.92	2946.05	3540.54	3548.65	4078.73	4.74	1.49	14.20	54.51	6379.35
FTSE 350 ex Investment Trusts (285)	3335.20	-4.00	2888.46	3474.31	3482.59	4032.98	4.86	1.42	14.47	54.13	3227.10
FTSE 350 Higher Yield (107)	2718.75	-4.57	2354.59	2849.04	2861.49	3619.19	7.35	1.27	10.72	60.91	5566.79
[illegible]											

Hourly movements	8.00	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High/day	Low/day
FTSE 100	6178.83	6164.08	6163.79	6206.95	6197.02	6159.45	6139.67	6158.70	6108.30	6212.47	6076.70
FTSE 250	17233.74	17125.21	17108.38	17207.01	17247.88	17097.60	17075.55	17132.57	17037.10	17255.97	16973.67
FTSE SmallCap	5086.08	5018.88	5009.90	5010.49	5014.55	5004.71	4986.57	4983.85	4978.52	5086.08	4962.55
FTSE All-Share	3420.23	3408.69	3407.82	3430.24	3427.22	3405.42	3395.50	3405.76	3380.10	3433.75	3363.63

Time of FTSE 100 Day's high:10:06:30 Day's Low15:35:30 FTSE 100 2010/11 High: 7674.56(17/01/2020) Low: 4993.89(23/03/2020)
Time of FTSE All-Share Day's high:10:29:00 Day's Low15:45:40 FTSE 100 2010/11 High: 4257.93(17/01/2020) Low: 2727.86(23/03/2020)

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FT 30 INDEX

	Jun 11	Jun 10	Jun 09	Jun 08	Jun 05	Yr Ago	High	Low
FT 30	2284.90	2411.80	2444.30	2519.40	2506.00	0.00	3314.70	1337.80
FT 30 Div Yield	-	-	-	-	-	0.00	3.93	2.74
P/E Ratio net	-	-	-	-	-	0.00	19.44	14.26

FT 30 since compilation: 4198.4 high: 19/07/1999; low49.4 18/02/1900Base Date: 1/7/35

FT 30 hourly changes

8	9	10	11	12	13	14	15	16	High	Low
2411.8	2326.8	2333.6	3120.5	2399.1	2395.8	2394.3	2414	2426.7	2439.2	2366.1

FT30 constituents and recent additions/deletions can be found at www.ft.com/ft30

FX: EFFECTIVE INDICES

FTSE GLOBAL EQUITY INDEX SERIES

The FTSE Global Equity Series, launched in 2003, contains the FTSE Global Small Cap Indices and broader FTSE Global All Cap Indices (large/mid/small cap) as well as the enhanced FTSE All-World index Series (large/mid cap) - please see www.ftse.com/geis. The trade names Fundamental Index® and RAFI® are registered trademarks and the patented and patent-pending proprietary intellectual property of Research Affiliates, LLC (US Patent Nos. 7,620,577; 7,747,502; 7,778,905; 7,792,719; Patent Pending Publ. Nos. US-2006-0149645-A1, US-2007-0055598-A1, US-2008-0288416-A1, US-2010- 0063942-A1, WO 2005/076812, WO 2007/078399 A2, WO 2008/118372, EPN 1733352, and HK1099110). "EDHEC™" is a trade mark of EDHEC Business School As of January 2nd 2006, FTSE is basing its sector indices on the Industrial Classification Benchmark - please see www.ftse.com/icb. For constituent changes and other information about FTSE, please see www.ftse.com. © FTSE International Limited. 2013. All Rights reserved. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under licence.

FTSE SECTORS: LEADERS & LAGGARDS

Year to date percentage changes

Leisure Goods	19.85	Construct & Material	-8.00	Media	-15.75
Tech Hardware & Eq	5.41	Industrial Eng	-9.47	Nonlife Insurance	-16.04
Pharmace & Biotech	2.28	Beverages	-10.25	Food Producers	-16.33
Electronic & Elec Eq	2.11	Industrials	-10.46	Real Est Invest & Se	-16.34
Health Care	0.49	Forestry & Paper	-11.31	Life Insurance	-16.44
Food & Drug Retailer	-0.26	Electricity	-11.37	FTSE 250 Index	-16.70
Personal Goods	-2.99	Technology	-12.00	Consumer Services	-17.96
[illegible]					

FTSE 100 SUMMARY

FTSE 100	Closing Price	Day's Change	FTSE 100	Closing Price	Day's Change
3I Group PLC	820.80	-51.80	Land Securities Group PLC	592.60	-33.60
Admiral Group PLC	2274	-35.00	Legal & General Group PLC	224.00	-13.00
Anglo American PLC	1777	-91.20	Lloyds Banking Group PLC	32.05	-2.98
Antofagasta PLC	855.00	-35.40	London Stock Exchange Group PLC	8094	28.00
Ashtead Group PLC	2386	-122.00	M&G PLC	152.30	-5.45
Associated British Foods PLC	1907.5	-90.50	Meggitt PLC	292.50	-18.40
[illegible]					

UK STOCK MARKET TRADING DATA

All data provided by Morningstar unless otherwise noted. All elements listed are indicative and believed accurate at the time of publication. No offer is made by Morningstar or the FT. The FT does not warrant nor guarantee that the information is reliable or complete. The FT does not accept responsibility and will not be liable for any loss arising from the reliance on or use of the listed information.
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POWERED BY MORNINGSTAR

UK RIGHTS OFFERS

Issue price	Amount paid up	Latest renun. date	High	Low	Stock	closing Price p	+or-

There are currently no rights offers by any companies listed on the LSE.

UK COMPANY RESULTS

Company		Turnover		Pre-tax		EPS(p)		Div(p)		Pay day	Total	
1Spatial	Pre	23.385	17.624	1.733L	1.819L	1.370L	1.970L	0.00000	0.00000	-	0.000	0.000
Babcock International Group	Pre	4449.500	4474.800	178.200L	235.200	38.600L	39.500	0.00000	22.90000	-	7.200	30.000
CMC Markets	Pre	298.072	166.013	98.686	6.329	30.100	2.000	12.18000	0.68000	Sep 11	15.030	2.030
Income & Growth VCT (The)	Int			7.107L	3.264	6.530L	3.100	3.00000	1.50000	Jul 10	7.475	5.000
Johnson Matthey	Pre	14577.000	10745.000	305.000	488.000	132.300	215.200	0.00000	62.25000	-	24.500	85.500
Mind Gym	Pre	48.249	42.133	7.398	5.130	5.930	4.080	0.00000	1.60000	-	0.900	2.400
OnTheMarket	Pre	18.810	14.172	11.659L	14.494L	17.990L	24.020L	0.00000	0.00000	-	0.000	0.000
Reabold Resources	Pre	1.452	0.194	4.199L	2.016L	0.110L	0.070L	0.00000	0.00000	-	0.000	0.000
TalkTalk Telecom Group	Pre	1569.000	1632.000	131.000	5.000L	13.400	2.800	0.00000	1.50000	-	1.000	2.500
Urban&Civic	Int	33.044	30.894	0.182	5.099	0.700L	2.700	0.00000	1.40000	-	2.486	3.600

Figures in £m. Earnings shown basic. Figures in light text are for corresponding period year earlier.
For more information on dividend payments visit www.ft.com/marketsdata

UK RECENT EQUITY ISSUES

Issue date	Issue price(p)	Sector	Stock code	Stock	Close price(p)	+/-	High	Low	Mkt Cap (£m)

§Placing price. *Intoduction. ‡When issued. Annual report/prospectus available at www.ft.com/ir
For a full explanation of all the other symbols please refer to London Share Service notes.

MARKET DATA

FT500: THE WORLD'S LARGEST COMPANIES

	Price	Day Chg	52 Week High	52 Week Low	Yld	P/E	MCap m
Denmark (kr)							
DanskeBk	89.08	-5.02	123.60	68.04	8.96	5.38	11725.8
MollerMrsk	7302	-492.00	10555	4976	1.93	50.79	11215.61
NovoB	435.70	-1.10	453.20	312.00	1.88	25.99	120571.01
Israel (ILS)							
TevaPha	43.55	-0.59	46.45	21.75	-	-14.46	13846.68
Italy (€)							
Enel	7.33	-0.19	8.61	5.15	4.02	35.49	84778.22
ENI	8.58	-0.65	14.94	6.26	9.62	-8.08	35491.49
Generali	13.43	-0.54	19.63	10.20	6.31	10.34	24089.39
IntSPaolo	1.62	-0.08	2.63	1.31	11.46	7.29	32239.09
Unicred	7.95	-0.68	14.44	6.01	3.20	9.86	20209.85
South Korea (KRW)							
HyundMobis	206000	-5000.00	268500	126000	1.95	8.99	16367.51
KoreaElePwr	21800	-150.00	29500	15550	-	-9.10	11697.93
SK Hynix	88500	-2300.00	106000	62400	1.13	38.77	53853.98
SmsungEl	54300	-1100.00	62800	42300	2.57	17.37	270956.85
Spain (€)							
BBVA	3.10	-0.22	5.34	2.46	7.91	7.00	23487.03
BcoSantdr	2.20	-0.23	4.26	1.78	9.82	6.49	41693.69
CaixaBnk	1.86	-0.08	2.94	1.50	5.28	10.20	12685.67
Iberdrola	9.68	-0.30	11.35	7.76	3.74	16.98	71112.45
Inditex	24.79	-1.38	32.28	18.51	2.49	22.73	87931.41
Repsol	8.58	-0.57	15.67	5.92	10.19	-3.67	15295.79
Telefonica	4.49	-0.31	7.59	3.53	8.38	28.07	26543.89

Closing prices and highs & lows are in traded currency (with variations for that country indicated by stock), market capitalisation is in USD. Highs & lows are based on intraday trading over a rolling 52 week period.
♦ ex-dividend
■ ex-capital redistribution
price at time of suspension

FT 500: TOP 20

	Close price	Prev price	Day change	Day change %	Week change	Week change %	Month change %
Tesla Mtrs	1000.21	1025.05	-24.84	-2.42	135.83	15.7	23.20
Occid Pet	17.83	20.76	-2.94	-14.14	2.28	14.6	18.30
Apple	348.29	352.84	-4.56	-1.29	25.97	8.1	10.33
Amazon	2646.69	2647.45	-0.76	-0.03	186.09	7.6	9.89
SandsCh	32.80	34.25	-1.45	-4.23	2.00	6.5	4.82
TaiwanSem	320.50	325.50	-5.00	-1.54	19.50	6.5	7.73
Corning	26.35	27.85	-1.51	-5.40	1.60	6.4	23.54
Netflix	440.80	434.48	6.32	1.46	26.47	6.4	-0.07
Midea	0.68	0.68	0.00	0.00	0.04	6.3	0.00
ChngKng	46.40	47.85	-1.45	-3.03	2.65	6.1	-4.93
HangSeng	131.70	137.10	-5.40	-3.94	7.20	5.8	-2.96
Ambev	13.96	14.32	-0.36	-2.51	0.71	5.4	15.61
Microsoft	192.66	196.84	-4.18	-2.12	9.74	5.3	3.06
ColgtPlm	74.49	74.36	0.13	0.17	3.74	5.3	7.35
ChinaLife	16.28	16.94	-0.66	-3.90	0.80	5.2	4.49
Sony	7495.00	7496.00	-1.00	-0.01	344.00	4.8	7.80
UOB	22.54	23.10	-0.56	-2.42	0.94	4.4	13.38
CK Hutchison	52.70	54.80	-2.10	-3.83	2.15	4.3	-7.13
PTT Explor	38.50	38.50	0.00	0.00	1.50	4.1	9.22
JardnMt US$	43.59	45.81	-2.22	-4.85	1.52	3.6	-4.20

Based on the FT Global 500 companies in local currency

FT 500: BOTTOM 20

	Close price	Prev price	Day change	Day change %	Week change	Week change %	Month change %
ChShenEgy	12.76	13.08	-0.32	-2.45	-1.88	-12.8	-5.04
CapOne	67.30	71.80	-4.50	-6.27	-9.85	-12.8	12.86
DiscFinServ	50.97	54.96	-3.99	-7.26	-7.29	-12.5	25.65
Delta	28.45	31.64	-3.20	-10.10	-3.94	-12.2	29.02
Lyondell	65.38	73.57	-8.19	-11.13	-8.57	-11.6	16.36
MTN Grp	50.80	55.14	-4.34	-7.87	-6.52	-11.4	4.36
L Brands	15.87	17.46	-1.59	-9.09	-1.98	-11.1	37.47
CharlesSch	37.16	38.12	-0.96	-2.52	-4.52	-10.8	3.46
AmerAir	14.96	17.02	-2.06	-12.13	-1.76	-10.5	48.12
CanNatRs	24.60	27.15	-2.55	-9.39	-2.81	-10.3	7.46
AnBshInBv	43.85	47.47	-3.62	-7.62	-4.92	-10.1	10.44
Compass	1161.00	1233.00	-72.00	-5.84	-127.00	-9.9	-99.08
ValeroEngy	63.15	69.05	-5.90	-8.54	-6.90	-9.9	-3.82
Williams Cos	18.68	19.74	-1.06	-5.37	-2.03	-9.8	-4.40
Safran	88.96	96.50	-7.54	-7.81	-9.64	-9.8	13.32
PNCFin	110.96	118.93	-7.97	-6.70	-11.76	-9.6	8.38
Renault	21.35	24.85	-3.50	-14.08	-2.26	-9.6	20.88
TE Connect	80.65	85.14	-4.49	-5.27	-8.17	-9.2	7.92
StateSt	62.78	66.14	-3.36	-5.08	-6.25	-9.1	6.82
GenElectric	7.04	7.61	-0.57	-7.49	-0.70	-9.0	13.65

Based on the FT Global 500 companies in local currency

BONDS: HIGH YIELD & EMERGING MARKET

Jun 11	Red date	Coupon	Ratings S*	Ratings M*	Ratings F*	Bid price	Bid yield	Day's chge yield	Mth's chge yield	Spread vs US
High Yield US$										
HCA Inc.	06/25	7.69	BB-	Ba2	BB	114.63	4.40	0.18	-0.33	3.94
High Yield Euro										
Aldesa Financial Services S.A.	04/21	7.25	-	-	B	71.10	28.23	0.00	0.64	25.98
Emerging US$										
Peru	03/19	7.13	BBB+	A3	BBB+	104.40	2.60	-	-	0.34
Colombia	01/26	4.50	BBB-	Baa2	BBB-	108.53	2.78	-0.01	-0.78	2.32
Brazil	04/26	6.00	BB-	Ba2	BB-	113.75	3.38	0.13	-0.52	2.92
Poland	04/26	3.25	A-	A2	A-	111.05	1.27	0.01	-0.32	0.81
Turkey	04/26	4.25	-	B1	BB-	91.83	5.92	0.04	-1.77	5.46
Mexico	05/26	11.50	BBB+	Baa1	BBB-	144.25	3.23	0.11	-0.88	2.77
Turkey	03/27	6.00	-	Ba2	BB+	101.26	5.82	0.00	0.17	3.07
Peru	08/27	4.13	BBB+	A3	BBB+	103.50	3.66	0.01	-0.02	0.80
Russia	06/28	12.75	BBB-	Ba1	BBB	173.09	2.61	0.01	-0.49	-
Brazil	02/47	5.63	BB-	Ba2	BB-	105.88	5.21	0.07	-0.56	-
Emerging Euro										
Brazil	04/21	2.88	BB-	Ba2	BB-	103.09	0.05	0.01	-0.09	-1.19
Mexico	02/22	1.88	BBB+	Baa1	BBB-	101.77	0.82	0.07	-1.28	0.62
Mexico	04/23	2.75	BBB+	A3	BBB+	107.76	0.76	0.00	-0.07	-1.56
Bulgaria	03/28	3.00	BBB-	Baa2	BBB	117.04	1.00	0.02	-0.15	-1.42

Interactive Data Pricing and Reference Data LLC, an ICE Data Services company. US $ denominated bonds NY close; all other London close. *S - Standard & Poor's, M - Moody's, F - Fitch.

BONDS: GLOBAL INVESTMENT GRADE

Jun 11	Red date	Coupon	Ratings S*	Ratings M*	Ratings F*	Bid price	Bid yield	Day's chge yield	Mth's chge yield	Spread vs US
US$										
FleetBoston Financial Corp.	01/28	6.88	BBB+	Baa1	A	126.19	2.99	-0.04	-0.61	-
The Goldman Sachs Group, Inc.	02/28	5.00	BBB+	A3	A	112.47	3.17	-0.08	-0.46	-
NationsBank Corp.	03/28	6.80	BBB+	Baa1	A	125.73	3.05	-0.04	-0.57	-
GTE LLC	04/28	6.94	BBB+	Baa2	A-	126.19	3.14	0.02	-0.64	-
United Utilities PLC	08/28	6.88	BBB	Baa1	A-	125.67	3.27	0.05	-0.60	-
Barclays Bank plc	01/29	4.50	A	A1	A+	95.55	5.14	-0.08	0.06	-
Euro										
Electricite de France (EDF)	04/30	4.63	A-	A3	A-	137.45	0.82	-0.01	0.10	-
The Goldman Sachs Group, Inc.	02/31	3.00	BBB+	A3	A	124.42	0.68	0.00	-0.11	-
The Goldman Sachs Group, Inc.	02/31	3.00	BBB+	A3	A	121.70	0.93	0.00	0.02	-
Finland	04/31	0.75	AA+	Aa1	AA+	108.13	0.00	0.01	0.07	-
Yen										
Mexico	06/26	1.09	BBB+	Baa1	BBB-	94.65	2.04	-0.01	0.26	1.57
£ Sterling										
innogy Fin B.V.	06/30	6.25	BBB	Baa2	A-	128.68	3.20	0.00	-0.01	0.40
innogy Fin B.V.	06/30	6.25	BBB	Baa2	A-	137.45	2.19	-0.03	0.02	-

Interactive Data Pricing and Reference Data LLC, an ICE Data Services company. US $ denominated bonds NY close; all other London close. *S - Standard & Poor's, M - Moody's, F - Fitch.

INTEREST RATES: OFFICIAL

Jun 11	Rate	Current	Since	Last	Mnth Ago	Year Ago
US	Fed Funds	0.00-0.25	15-03-2020	1.00-1.25	1.50-1.75	1.25-1.50
US	Prime	4.75	30-10-2019	5.25	5.25	4.25
US	Discount	2.65	30-09-2019	2.75	2.75	1.75
Euro	Repo	0.00	16-03-2016	0.00	0.00	0.00
UK	Repo	0.10	19-03-2020	0.25	0.75	0.25
Japan	O'night Call	0.00-0.10	01-02-2016	0.00	0.00--0.10	0.00--0.10
Switzerland	Libor Target	-1.25-0.25	15-01-2015	-0.75--0.25	-1.25--0.25	-1.25--0.25

INTEREST RATES: MARKET

BOND INDICES

	Index	Day's change	Month's change	Year change	Return 1 month	Return 1 year
Markit IBoxx						
ABF Pan-Asia unhedged	211.12	0.24	1.54	1.71	1.56	7.78
Corporates(£)	385.38	0.34	1.16	2.40	2.38	6.52
Corporates($)	323.89	0.09	1.02	3.95	1.02	3.95
Corporates(€)	234.53	-0.15	1.22	-1.32	1.86	0.57
Eurozone Sov(€)	251.81	-0.16	-0.67	0.35	0.16	2.47
Gilts(£)	380.87	0.79	-0.97	9.31	-1.01	10.84

VOLATILITY INDICES

	Jun 11	Day Chng	Prev	52 wk high	52 wk low
VIX	33.18	5.61	27.57	85.42	11.42
VXD	34.91	4.56	30.35	71.05	2.47
VXN	32.73	3.41	29.32	84.67	13.58
VDAX	38.74	6.14	32.59	93.30	-

† CBOE. VIX: S&P 500 index Options Volatility, VXD: DJIA Index Options Volatility, VXN: NASDAQ Index Options Volatility. ‡ Deutsche Borse. VDAX: DAX Index Options Volatility.

BONDS: BENCHMARK GOVERNMENT

GILTS: UK CASH MARKET

Jun 11	Price £	Red Yield	Change in Yield Day	Change in Yield Week	Change in Yield Month	Change in Yield Year	52 Week High	52 Week Low	Amnt £m
Tr 2pc '20	100.22	0.04	0.00	-33.33	-50.00	-93.94	102.96	100.00	32.53
Tr 1.5pc '21	100.90	0.02	0.00	-66.67	-66.67	-96.49	101.58	100.78	32.84
Tr 4pc '22	107.04	-0.05	25.00	-600.00	-600.00	-109.62	109.50	106.96	38.77
Tr 5pc '25	123.76	-0.01	-150.00	-114.29	-111.11	-101.59	126.04	121.74	35.84

COMMODITIES

BONDS: INDEX-LINKED

BONDS: TEN YEAR GOVT SPREADS

GILTS: UK FTSE ACTUARIES INDICES

Data provided by Morningstar | www.morningstar.co.uk

Alan Bennett's heads speak again

The playwright's BBC series 'Talking Heads' has been remade – and gained new resonance, writes Sarah Hemming

Long before lockdown hair was even a concept, Alan Bennett wrote a series of miniature masterpieces: half-hour monologues that peered into the homes and hearts of lonely individuals. In each one, a solitary character quietly unpacked the truth of their life.

Now they're back. Director Nicholas Hytner has revived Bennett's *Talking Heads* series, remaking them for the BBC (which first broadcast them in 1988 and 1998) featuring a new assembly of stellar actors and directors, with Martin Freeman, Imelda Staunton and Tamsin Greig among the performers.

It's a brilliant idea. Although the originals are in many ways timeless – no period has a monopoly on loneliness – they now feel strikingly resonant. Even the format feels newly familiar. So many of us have spent the past few months watching talking heads – colleagues, loved ones – on screens, scanning their living rooms, searching for clues as to how they are. Bennett celebrates that instinct to empathise, casting the viewer as the confidante to characters who need to unburden.

"It feels like they were written for now," says Marianne Elliott, who has directed two of the pieces (*Soldiering On* with Harriet Walter and *Nights in the Gardens of Spain* with Tamsin Greig). "Because of course everybody has been in lockdown. Everybody has been sitting in their rooms on their own, talking to themselves. And so many people couldn't go out at all. I think it makes them more poignant."

"They speak to something larger than just not being able to go out of the house," adds Hytner, who has directed three pieces as well as curating the whole series. "They speak to a universal sense of human isolation that everybody shares – however large and loving a group of family and friends they have."

Of the 12 originals, 10 have been revived and filmed under lockdown regulations at the BBC's Elstree Studios (safety concerns ruled out the two that require an actor over 70). They are joined by two new monologues: *The Shrine* (with Monica Dolan), in which a wife discovers how little she knew her husband, and *An Ordinary Woman* (with Sarah Lancashire), which examines a forbidden passion. Though infused with Bennett's dry wit and warmth, they are all uncommonly frank, focusing on subjects such as alcoholism, abuse, paedophilia and chronic loneliness.

For actor Rochenda Sandall, playing Marjory, an obsessively tidy housewife in *The Outside Dog*, the new context may help us to a deeper understanding of the characters' predicaments. The very directive, for instance, to "stay at home" highlighted the fact that for some people home is not a safe place. Marjory's husband has a dark secret; her cleanliness is a displacement activity.

"At the beginning you think she's a fusspot and she must be a nightmare to live with," says Sandall. "Until you go deeper and deeper.

"We start the whole piece with me washing my hands," she adds. "So there's a really strong and obvious link [with now] there. But I think we can also relate to the feeling of being trapped indoors, that fear of the outside – and the obsessive thought process. Maybe it will give people a little insight into what it's like to be trapped with somebody. And the deep, deep loneliness. I think it's seriously relevant for now."

The dramatic monologue has found a new lease of life during the lockdown period. As well as *Talking Heads*, we've seen many new solos online – partly for practical reasons, but also because they voice the experience of so many people.

Clockwise from top left: Tamsin Greig, Lucian Msamati, Rochenda Sandall and Jodie Comer in 'Talking Heads'
Zac Nicholson

Some quietly distil big social issues: Headlong's *Unprecedented* series (BBC iPlayer) includes a homeless man talking to his dog via Skype; the National Theatre of Scotland's *Scenes for Survival* (online) features a woman who has been in a controlling relationship. Many people have also watched Simon Stephens's *Sea Wall* online: a witty but intensely moving monologue in which Andrew Scott plays a bereaved man trying to comprehend his loss.

The intimacy of such pieces can forge a direct and cathartic bond with the listener, particularly now. And many great playwrights (Beckett, Friel) have used monologues to reveal the way storytelling helps us process experience. But they demand great narrative skill from the writer and actor. Bennett's *Talking Heads* are beautifully structured, unpeeling layer by layer as characters play a complex dance with the truth. Elliott likens them to "mini-thrillers" in their construction.

"You're given a clue here and a clue there," she says. "Sometimes you go down a dead end and sometimes you start piecing it all together to see the truth. And sometimes you don't want to see the truth. That was what was so joyful working on them: working out how to get those performances to be utterly real and also what to give the audience when, like in a thriller."

"All of them are written with such care and detail," says Hytner. "And all of them tell much larger stories than you think they're going to – in every sense. By the time you get to the end, you feel you have seen a lot more people than appear on the screen."

The characters can appear prickly at first. One of the most challenging is Wilfred in *Playing Sandwiches*, a park keeper who gradually reveals the truth about his past. It's a deeply uncomfortable piece. But Bennett invites, if not sympathy, at least understanding.

"It's incredibly dark," says Lucian Msamati, who plays Wilfred. "In the way of all good storytellers, Wilfred is a strategically unreliable narrator. He pulls you in with one hand while laying out some pretty dark stuff with the other. And there is a moment when he admits something to himself."

Msamati admits he was shocked when he first read the script. "I'm a parent. Immediately the blood boils, the stomach churns. I'm pulled in all sorts of directions. But it was also important with me, as it has been with every single character I've ever played, that I do not judge him . . . That is perhaps where, within drama, within storytelling, we begin to find some kind of healing, some kind of understanding, some kind of justice that does not simply demonise. This man is damaged."

> 'Everybody has been in lockdown. Everybody has been sitting in their rooms on their own'

Some characters remain partly in denial, others do achieve peace, resilience or at least self-knowledge. And Hytner suggests that there is something "exhilarating" about the truth being told: "As with all tragedy, it's the courage involved in simply surviving that is the most moving."

And perhaps that is the real pull of these pieces. This recent period, in which normal life ceased completely for a while, has encouraged reflection. For Hytner, it's in that deeper connection that these monologues might hit home right now.

"We are unknowable even to ourselves," he says. "And that's another thing they plug into. Every one of the characters is telling a story they don't know they're telling. Many will themselves to be blind to what's going on because the truth is too painful. The audience work out what the real story is long before the subject of the story does.

"That's something that's familiar to all of us. No matter how old you get, or how wise you think you are, you find yourself the victim of willed self-blindness all the time. And that's an enormously moving and profound observation about the human condition."

'Talking Heads', BBC One and BBC iPlayer from June 23, 9pm; 'Unprecedented', BBC iPlayer, bbc.co.uk; 'Scenes for Survival', nationaltheatrescotland.com; 'Sea Wall', seawallandrewscott.com

Time-travel drama weaves a tangled web

BingeWatch

Brooding: Lisa Vicari and Moritz Jahn in season three of 'Dark'

I began watching *Dark* for practical reasons. Having started learning German, I was looking for a German-language show that would provide some light relief from unforgiving *deutsche Grammatik*. After a quick online search, I teed up the Netflix show for some easy watching, but instead found myself pulled into a shadowy world and a labyrinthine plot that only deepened the furrows in my brow.

This brooding series lives up to its name within the first three minutes. An ominous soundtrack rumbles over woodland views that then cut to a grisly hanging scene. But in a series that has little respect for "the linearity of time", death is rarely the end.

Instead, the suicide of local artist Michael Kahnwald kicks off a sprawling time-travel plot that follows the intertwining lives of four families in the fictional town of Winden. These relationships only intensify the dourness: old rivalries run deep, affairs threaten to destroy marriages, and then a child goes missing in circumstances similar to a case from 33 years before. It soon becomes clear that the disappearances have something to do with the caves hidden in the penetralia of the surrounding forest, which also have a sinister connection to a nearby nuclear facility.

At the centre of the mystery is Michael's grieving teenage son, Jonas, who begins to investigate the caves and learns that inside them is a wormhole that allows people to travel 33 years into the past or the future. Through this device, the ambitious sci-fi series (which begins in 2019) doubles as a period drama, ranging from the punishing comb-backs of 1921 and slick tailoring of 1953 to the Puffa jackets and supersized hair of 1986. As characters slip through this permeable space in the woods, family trees become ever more tangled, eventually causing poor Jonas to exclaim: "Now I have another grandma, and she's the principal of my school. Her husband, who's fucking my mom, is looking for his son, who's my father! A few days ago I kissed my aunt!"

Dark's art direction, which takes a German autumn and cranks up the dreariness to full caliginous despair, reflects the moral decay that has fallen over Winden. Like *Twin Peaks* and *Stranger Things*, *Dark* leans heavily on the potential for horror and unease in the small town. Rumour and intrigue bubble over into violence, and there's a marked disconnect between private and public appearance. But this self-contained "nowhere" place, where inhabitants dream of leaving but rarely ever do and where nothing ever seems to change, is also the perfect setting in which to explore the circularity of time. In this way *Dark* balances its outlandish transtemporal plot with more realistic portrayals of human flaws.

> The inescapability of the past has a special poignancy in a series set in Germany

Like most time-travel storylines, free will is a major theme as characters are determined to correct past wrongs but are unable to do so without affecting the present. Jonas, for instance, is faced with the choice between rescuing a friend's brother or risk never being born himself. And although the 33-year time gaps skip the second world war, the inescapability of the past has a special poignancy in a series set in Germany.

The show focuses instead on an impending doom we all live with. Environmental dread hangs over the series in the form of the power plant cooling towers that rise out of the thick forest canopy. Situated on the margins of "real life", Winden is a place where illegal nuclear waste can be brushed under the rug for decades, but dead birds falling from the sky bring the cover-ups to the fore. Such apocalyptic tropes hint at end-of-the-world themes to come in season three later this month.

Watching *Dark*, it struck me that its fascinating dance of obfuscation and epiphany is not unlike the process of learning a language. The show's blurring of beginnings and endings remind me of the rules of German syntax, where often you only know the action taking place once you reach the very end of a sentence. And if you've ever tried to tell the time in German, you know it wouldn't be remiss to have an aspirin at hand.

But linguistic advancement aside, Netflix's first German-language series has an enormous entertainment value. With its underground passages, secret horological societies, suspicious priests and menacing forests, it exudes an unmistakable Gothic gloom, perfect for nights curled up at home with the lights off.

Kristina Foster

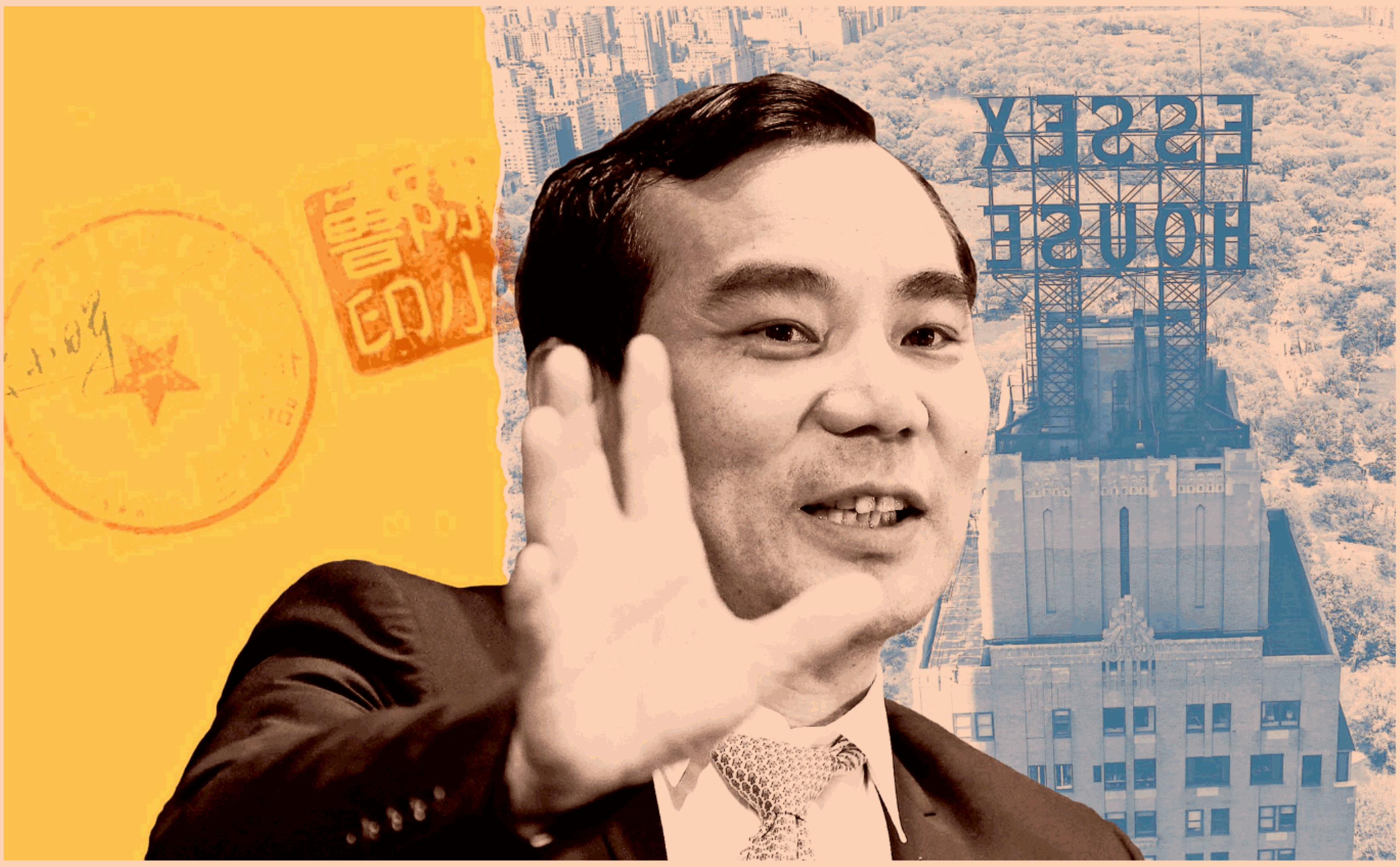
Season three of 'Dark' is on Netflix from June 27

FT BIG READ. CHINESE BUSINESS

Anbang is embroiled in a legal fight over the stalled sale of hotels to South Korea's Mirae. And the emergence of a rival claim of ownership now threatens to embarrass the Chinese Communist party.

By Henny Sender, Don Weinland and James Fontanella-Khan

The mystery over Anbang's hotels



When South Korean asset manager Mirae pulled the plug on a $5.8bn hotel deal with China's Anbang in April, it looked like one more casualty of the coronavirus outbreak. The acquisition agreed in September 2019 had dragged on into the pandemic, which has devastated the hotel industry. Mirae's last-minute termination of the deal in April led to accusations from Anbang that the buyer "got cold feet".

But a previously undisclosed document — revealed in a US court by Mirae, part of its defence in a suit brought by Anbang — suggests the pandemic was just one element of why it walked away from the purchase of 15 hotels including the JW Marriott Essex House in New York and the Four Seasons and Ritz-Carlton resorts in California.

The document reveals competing claims of ownership on the hotels, which were stripped from Anbang's founder Wu Xiaohui by Chinese authorities in 2017. Purportedly signed by Wu, the Delaware Rapid Arbitration Act agreement, or DRAA, appears to be an attempt to transfer ownership of the hotels from Anbang to four Delaware-based parties, and also give his own family a claim to the assets, just weeks before he was detained in China in June 2017 on corruption charges.

At the time he was arrested Wu was the most high-profile tycoon to be

'Those folks [parties in the document] have vanished into the ether. It may be because they never existed'

ensnared in President Xi Jinping's anti-corruption drive. Anbang was once considered the darling of Chinese M&A, launching an $18bn buying spree between 2014 and early 2016. Along with a cohort of other conglomerates such as HNA and Dalian Wanda, its deals were often viewed as part of the Chinese government's "going out" policy that endorsed overseas investments.

Now Beijing is potentially saddled with billions of dollars in debt from that spending spree and facing a US legal fight over Anbang's assets that threatens to embarrass the Communist party's top leadership. Among those who have been drawn into the legal fight is the family of the late Communist party leader Deng Xiaoping. A granddaughter of Deng became Wu's third wife.

"The politics behind Anbang got very complicated for Xi Jinping, mainly because there are other powerful families with interests in the company," says one person close to its senior management. There has been a continuing internal fight over the company assets since Wu's arrest, the person adds.

Anbang and bust

The sale of the hotels to Mirae — which won a hotly contested auction involving 17 bidders, including private equity firms Blackstone and Brookfield — was supposed to be one of the last large disposals of Anbang's financial and property empire. The transaction would have helped reduce its debt, to the relief of Beijing regulators, who had already given the leveraged insurer a $10bn state bailout.

Founded by Wu as a small insurance group in 2004, Anbang was from the beginning a one-man show. But the one man at the heart of it — a former car salesman from Wenzhou — proved to be erratic. The company underwent rapid expansion after 2011 with its by then billionaire owner developing a reputation as the country's most prominent dealmaker. In a matter of months in 2015, it bought Dutch insurer Vivat and a large stake in South Korea's Tongyang Life.

By 2016, Anbang held insurance and real estate assets across the globe. That same year, Wu was involved in a bitter battle with Marriott to buy Starwood Hotels, at one point offering $14bn for the chain only to abruptly withdraw the bid without explanation days later.

But the company was not built on a solid foundation. Chinese investigators alleged in 2017 that its founder had been injecting insurance premiums into Anbang to artificially inflate its stock, bolstering the size of the group and fuelling his buying spree.

The same year — and with pressure mounting on his business empire — the Wu signature and seal appeared on the DRAA, apparently giving his family and that of former Communist party leader Deng claim to billions of dollars in California hotel properties, in the event of Beijing seizing control of Anbang. The existence of the DRAA — dated May 15 2017 — was not widely known until April of this year.

Much of its content focuses on trademark disputes. But a clause towards the end of the 16-page document states that, in the event that Anbang is seized by China's insurance regulator or other government entities, the Wu and Deng families "unconditionally agree to have the four parties of the United States to sue and file an additional complaint against the institutions".

The "parties" are Delaware-based shell companies and their ultimate owners are unknown. Court records show they have had dealings with Anbang for several years. The Financial Times tried to contact people linked to the document, but none responded to inquiries.

Travis Laster, the vice-chancellor of the Court of Chancery in Delaware who will be the judge when the case between Anbang and Mirae resumes in August, recently said of the "parties": "Those folks have vanished into the ether. It may be because they never existed in the first place. It may be because they are fraudsters. It may be because they are somewhere in China. I don't know."

The document also warns that the DRAA is confidential and may not be leaked "In particular, to Xi Jinping's family, [then anti-corruption chief] Wang Qishan's family and other families of members of the Standing Committee, or any personnel from the central government, any law enforcement personnel, and other personnel, lest that relevant personnel be subject to criminal liability or death penalty". The document adds that any party that contravenes the agreement could be liable for a penalty of up to $270bn.

Just three weeks after the DRAA was signed, Wu was arrested in Beijing and eventually jailed for 18 years.

Former aides say Wu was reluctant to sign documents, which has led some in Anbang to question the authenticity of the DRAA. Anbang legal representatives in the US have sought to portray it as a fraud, saying Mirae is using it as an excuse to break the deal, and on Wednesday asked the Delaware court to dismiss the document from the case.

Adam Offenhartz, a lawyer at Gibson, Dunn & Crutcher, representing Anbang, said in a May 8 hearing: "I find it remarkable that Mirae, an international company with billions of dollars under its management wing, with billions of dollars of investments, is basically cloaking itself with the cloud generated by these fraudsters."

Anbang executives in China did not formally respond to emailed questions and requests for interview about the document.

The DRAA also bears the seal of military commander turned entrepreneur Chen Xiaolu. Chen, a so-called princeling, was the son of Chen Yi, a revered revolutionary who served as mayor of Shanghai during Mao Zedong's era. The younger Chen also served in the military but later moved into business, becoming a director at Anbang, though he was never formally on the payroll. He left the company in 2016, months before the DRAA was drawn up.

Chen died of a heart attack in February 2018, after being questioned by Chinese regulators about his role in the insurer and the extent of the compensation he might have received from Wu. Anbang insiders say Mr Xi sent a relative to the funeral service, who gave a short speech in which he described Chen as an elder brother to the Xi family, they add.

According to a February 2020 letter by DLA Piper sent to the then-counsel of record for the entities named in the DRAA, it was Chen's idea to shift the ownership of at least some of the hotels from Anbang to the Wu and Deng families. The law firm said it had been engaged by other parties to the DRAA to explore the agreement's validity and potential claims against Anbang but it has subsequently stopped representing the entities.

The DLA Piper letter notes that Wu's signature on the DRAA "appears to match the signatures on Anbang Insurance's trademark applications filed to the" US Patent and Trademark Office. Yet it is not identical "so as to be a cut-and-paste copy".

The uncertainty over the ownership of the hotels was enough to trigger Mirae's refusal to close the purchase in late April. "Once those litigations and related matters came to light within days of the . . . closing, the title insurers refused to unequivocally insure [Mirae] as the sole owner of the properties, and the lenders, several of the world's leading financial institutions, were unwilling to provide the $4bn in financing needed to close," according to Mirae's counterclaim against Anbang.

Main image: the hotels, including Manhattan's Essex House, were stripped from Anbang's Wu Xiaohui by Beijing in 2017. The Delaware Rapid Arbitration Act agreement appears to have been an attempt to transfer ownership of the hotels from Anbang to four Delaware-based parties. Below: the DRAA bears the seal of Chen Xiaolu, a princeling who became an Anbang director but died in 2018. Bottom: among those who have been drawn into the legal fight is the family of Deng Xiaoping

Main image: FT montage

Unpicking the M&A spree

The DRAA's existence also poses problems for China's banking and insurance regulator. The CBIRC took control of Anbang in February 2018 with a mandate to dispose of its overseas assets, reduce its mountain of debt and withdraw from the insurer, now renamed Dajia, within two years.

Anbang's management hired investment bankers to sell off its offshore assets. The priority was to find a buyer for the hotels, all under the Strategic Hotels & Resorts brand which Anbang had initially purchased from Blackstone in 2016 for $6.5bn.

A senior CBIRC regulator, Luo Sheng, was put in charge of the process despite having limited overseas experience to deal with complicated transactions such as the legal dispute with Mirae. Despite early successes — such as the sale of the Fidea Belgian assets for $543m — it quickly became clear that unpicking Anbang was going to be a complex process for the regulator, which

'The legal quagmire is going to make it very hard, even for aggressive buyers of distressed assets, to make a move'

declined to comment for this article.

Problems surfaced even before the deal was signed in September 2019 when Mirae discovered grant deeds — separate from the instructions in the DRAA — that purported to show that ownership of six Californian hotels, including a Four Seasons in Silicon Valley and a Ritz-Carlton in Half Moon Bay, had already been transferred to other unrelated parties, according to legal documents reviewed by the FT. But Anbang reassured Mirae that it could expunge what it said were fraudulent titles, and later cleared most of the six.

But with competing claims on some of the properties, the title insurance companies refused to provide the unconditional cover required for lenders to finance Mirae's purchase. The Korean group had already paid a $581m deposit to Anbang and a $50m fee to its bankers.

On February 24, Mirae's leading lender Goldman Sachs alerted the South Korean company that its lawyers Cleary Gottlieb had found that in addition to the disputes in California, Anbang's remaining nine properties faced similar challenges in court in Delaware.

Mirae's lawyers now argue that Anbang deliberately failed to inform it of the competing ownership claims, fearing that such a disclosure would have sunk the deal. "It's like someone pulled the emergency brake," says a person involved at the time.

Gibson, Dunn & Crutcher, Anbang's lawyer, says the insurer was not obliged to inform Mirae of the DRAA and only made it available to the South Korean group 24 hours before the transaction was scheduled to close.

Anbang continues to contest Mirae's right to walk away from the deal to buy Strategic Hotels, whose value has almost halved from the $6bn it reached less than a year ago. But there is no obvious alternative buyer even at a discount.

"The legal quagmire that is emerging is going to make it very hard, even for the most aggressive buyer of distressed assets, to make a move," says one investor familiar with the properties.

17
Bidders for the 15 Anbang hotels in an auction won by South Korea's Mirae for $5.8bn

$581m
Deposit already paid by Mirae to Anbang before it pulled the plug on the deal. It has also paid $50m in fees to its bankers

$10bn
State bailout of Anbang by Beijing, which renamed the group Dajia

Legacy problem for Beijing

If Anbang fails in its case against Mirae, it and the Chinese state could be left holding billions of dollars of debt — used to buy the properties in the first place — with no obvious way to repay it.

"This isn't the best environment," says one investor familiar with Anbang's original purchase of the hotels. "That debt will have to be restructured. It will take years."

Even those who have dealt with both the company and regulators in the past, such as Blackstone and JC Flowers, say they are not interested in these assets, according to people close to the private equity groups. Nor is it clear where Anbang will get the money to complete the promised multibillion-dollar renovation of Wu's most famous acquisition, the Waldorf Astoria, which he bought in 2015 for $1.95bn.

Wu's downfall signalled a larger shift for corporate China. In 2017 and 2018, several aggressive conglomerates began unwinding tens of billions of dollars in global investments. China's global M&A footprint has already shrunk dramatically outside the technology sector.

China itself no longer has massive funds to recycle to the rest of the world. Failure to close the Anbang hotels deal or finding a new buyer, however, could seriously dent its capacity and that of Chinese companies to be taken seriously in developed markets.

"Chinese buyers are no longer considered the buyer of first choice," says one investor with experience of the market. "Whether as buyers or sellers, they have lost credibility."

FINANCIAL TIMES
'Without fear and without favour'
FRIDAY 12 JUNE 2020

Powell delivers a stark message to the markets

Federal Reserve is right to rule out any near-term interest rate rises

Jay Powell, the Federal Reserve chair, has delivered a wake-up call to equity markets. His testimony, following the meeting of the Fed's interest rate setting committee, was a bracing riposte to the idea that the coronavirus and its economic impact will be quickly resolved, and that US companies will be able to pick up from where they left off before the pandemic shut down large parts of the country. He delivered a justifiably dire prognosis for the American economy.

The central bank's forecasts, published alongside the decision of the Federal Open Market Committee, predict a 6.5 per cent contraction in the US economy this year with the unemployment rate ending at 9.3 per cent. While jobless figures that pointed to a decrease in unemployment, released last week, were a welcome surprise, Mr Powell said he was still concerned about the long-term damage to the economy: "Many millions of people" would not quickly be able to return to work, he said.

This was matched by a dovish message on interest rates. Mr Powell indicated that the central bank will not increase rates until at least 2022. "We're not thinking about raising rates. We're not even thinking about thinking about raising rates," he said.

It may be a case of once-bitten, twice shy for Mr Powell. The attempt to "normalise" lending rates early in his term as Fed chair was aborted after the global economy started to slow. On Wednesday he said that before the pandemic hit, the US had "the first tight labour market for a quarter century" and this was beginning to lead to wage growth for disadvantaged groups. "We had every expectation that this would continue, and then this comes", he said, "and it's heartbreaking". He added that despite low pre-pandemic unemployment the Fed had been seeing "almost invisible moves on inflation" and joblessness could have gone even lower.

Mr Powell's dovish message and the Fed's forecasts appear to have rattled investors: equity markets fell yesterday as Wall Street opened. The extraordinary package of asset purchases and interest rate cuts already launched to cope with the coronavirus crisis had previously helped drive equity markets higher. Earlier this week the S&P 500, the main US index, recovered all of its losses for the year.

Investors also appear more concerned about a second wave of infections. Several US states are seeing a sharp rise in diagnosed cases since they eased lockdown, including California, Florida, Georgia and Texas. However, Steven Mnuchin, the Treasury secretary, ruled out any new lockdown measures, saying, "We've learnt that if you shut down the economy, you're going to create more damage."

A possible second wave likewise presents a problem for the Federal Reserve. In his remarks on Wednesday, Mr Powell appeared to rule out any possibility of cutting interest rates below zero. That leaves the possibility of additional quantitative easing or yield curve control, where the central bank intervenes to keep long-term interest rates at a particular target, in addition to the short-term interest rates it controls directly.

The Fed's warnings are correct, as is the decision to leave interest rates on hold and communicate that clearly to markets: exuberance was overdue a correction. However, if necessary, the Fed may need to find a way to do more, especially if coronavirus returns in earnest. In that event fiscal policy will also need to step up. The Fed has not been misled by the apparent fall in unemployment or by the rise in markets. America can only hope its Congress is just as clear-eyed.

London can take heart from Unilever decision

The consumer giant's move is a feather in the City's cap

The City of London has had little to celebrate in recent months amid fears over the impact of Brexit on its future as a global financial centre. The news that Unilever, one of Britain's largest and oldest businesses, is to abandon its Anglo-Dutch structure in favour of a single holding company, based in London, is something to raise spirits.

The decision by the maker of everything from Dove soap to Ben & Jerry's ice cream appears, at least on the surface, to have had little to do with Brexit. Optimists, however, will take heart that the decision is a recognition that the attractions of London as a capital market have not yet dimmed even though Britain has departed the EU.

For many of Unilever's UK-based shareholders the decision will also feel like a victory. Two years ago, a plan drawn up by the then chief executive Paul Polman to simplify the company's structure by shifting its domicile to the Netherlands, had to be abandoned. UK-based institutions revolted when it emerged that, after the restructuring, Unilever would no longer qualify for inclusion in FTSE 100 index. The move would have forced tracker funds and many active fund managers to sell their holdings without the premium they would have received in an acquisition.

The new proposal outlined yesterday will require consent from half of the shareholders in the Dutch entity and 75 per cent of those who own UK-based shares. Dutch shareholders, who comprise 55 per cent of the combined market capitalisation, should back the offer. The company has said its Dutch listing will remain and that it expects to stay in the AEX index. Its operations, both in the Netherlands and the UK, will also not change as a result.

Above all, the rationale for unification that held sway two years ago has not gone away. In the words of Nils Anderson, Unilever's chairman, the company's structure is "outdated". Unifying its legal parent structure will give it much-needed flexibility for equity-based acquisitions as well as demergers. The pandemic has provided an added impetus for a more nimble organisation. A spin-off of the tea division now looks more likely. Shareholders should benefit from any restructuring.

There is a wider significance for London as a financial centre. Brexit has fuelled fears of an exodus of blue-chip companies and banks, or at least their staff, from London to other European capitals, notably Paris and Frankfurt. But the global nature of the London market should not be underestimated. A London listing still means greater access to fundraising capital, core financial infrastructure as well as dealmaking expertise. The UK capital also offers other attractions, including the English language, legal system and timezone. Most of the world's large miners are listed in London for just these reasons. When BHP came under pressure from a leading activist investor to end its dual-listed structure by dropping a main London listing while keeping one in Sydney, the board rightly stood firm.

Given the competition from other capital cities and the uncertainties surrounding Brexit, there will be battles ahead. London will need to attract new listings as well as retain existing ones. Unilever's decision makes sound business sense but it is also an undeniable feather in London's cap.

Much still depends, however, on the final trading relationship with the EU. Boris Johnson cannot afford to assume the UK's attractions will conquer all. Failure to reach a deal by the year-end will pile pressure on companies already struggling with the pandemic. That might be enough to persuade future Unilevers to jump the other way.

Letters

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Respond to the outcry over statues with imaginative solutions

Toppling the statue of a Bristol slave trader obviously felt very satisfying to protesters, and pushed UK home secretary Priti Patel's law and order buttons ("Colston's statue shows society's values are not set in stone" Opinion, June 9). I thought the action showed colossal lack of imagination over what to do with the statue and others of its ilk. As Labour leader Keir Starmer said, the statue should not have been there by now. So where should it have been?

Bristol, Cardiff, Liverpool, Plymouth, Glasgow, Oxford and Newcastle could all contribute exhibits to a park in the manner of a cemetery. That would be a tangible memorial to slaves and an educational resource for the entire UK. Modest job creation could be a bonus.

Memento (or Memorial) Park in Budapest is a garden on these lines, an open air museum of over 40 monuments that were removed from the city after the fall of communism. It fails to provide enough information about the objects on display, but does offer inspiration. Let's hope whatever is done amounts to more than quietly erasing offending statues, sending them to dark archives one by one. Or dumping them in ports.

There's an opportunity to do so much more.

Eva Kaluzynska
Brussels, Belgium

Tory pick for capital's mayor ticks the boxes

I read Sebastian Payne and George Parker's piece on the 2021 London mayoral race with interests ("Tory doubts grow over candidate's chances of becoming London mayor", June 10). It is unfortunate that a section of the Conservative party in London cannot accept Shaun Bailey as the party's mayoral candidate despite his winning the party's nomination in an open contest. Opposition to him is mainly because he does not conform to stereotype, although he believes in traditional Conservative party values.

Meanwhile a section of the ethnic community is protesting on London's streets for our political leadership to reflect society, yet the notion of a "black Tory" as mayor of London is anathema to them.

These two groups should realise Mr Bailey is the only candidate on the ballot paper in May next year to represent the core values of the Conservative party, the start of the fulfilment of the aspirations of Black Lives Matter and a mayor who understands the key issues afflicting all Londoners: crime, transport and housing.

Awele Obi
London HA6, UK

Euope's restaurants and the dark kitchen threat

I read Dave Lee and Tim Bradshaw's article ("Uber Eats gets out of heat of delivery kitchens", June 10) on dark kitchens with intrigue.

While it is true the dark kitchen industry has not created any winners, the issue for small independent restaurants runs much deeper than simply that they "are feeling cheated by high rates of commission".

The business model employed by food delivery marketplaces is a double whammy for hospitality business owners.

As well as paying crippling fees that are eating into already wafer-thin margins, the restaurants are playing into the hands of the strategy of dark kitchens who want to remove restaurants from the supply chain altogether.

Every time a customer orders through a marketplace, the local data is used to determine the location, menus and even delivery routes of these dark kitchens.

For example, if you order lasagne from a local Italian restaurant through a marketplace, the information is helping to determine the menu in the nearest dark kitchen while the restaurateur who received the order won't be able to access the data to improve their menu and service.

Lockdown has worsened the situation. In a last-ditch attempt to maintain revenue, many restaurants signed up for the marketplaces that offered a temporary reduced commission.

This has only further entrenched their grip on the market as they can quickly increase fees back to their original level post-lockdown having directed thousands of customers — and their data — on to the platforms.

If the trend continues, the marketplaces could feasibly control a huge share of Europe's restaurant industry and negatively impact the sector's quality and innovation and put hundreds of restaurants out of business.

The very diversity of restaurants that makes the world's food scene so exciting is under threat.

Conor McCarthy
Chief Executive, Flipdish
Dublin, Ireland

The art of the political insult through the ages

Simon Kuper's opening shot ("Welcome to the age of insult, you snowflake", Magazine, FT Weekend, May 30) is that we are in the age of insult but it is more the age of the one-liner or even the single word.

Think of Norman Tebbit saying that his fellow Conservative and prime minister John Major had a "mulishness of a weak man with stupidity" or Neil Kinnock, the then Labour leader, calling Lord Tebbit "a wart on a carbuncle". When questioned about it, he retorted: "Yes, flattery is one of my vices."

But surely the golden age of the political insult was the 1880s.

Benjamin Disraeli, for example, proclaimed that William Gladstone "was a sophisticated rhetorician, inebriated by the exuberance of his own verbosity and gifted with an egotistical imagination that can at all times command an interminable and inconsistent series of arguments to malign an opponent and glorify himself".

Michael Thomson
Perth. UK

Permitting HSBC dividend would help Hongkongers

In his analysis ("Lex letter from London: the agony of HSBC", June 10) Jonathan Guthrie highlights the challenges confronting HSBC, a colonial-era bank focused since 1865 on Asia and only headquartered in London since the 1992 acquisition of Midland Bank by then chairman William Purves.

Oddly, when comparing HSBC's recent poor share price performance with that of Chinese banks, he omits any mention of its cause, the demand by UK regulators that HSBC halt dividend payments.

This has caused widespread distress and anger in Hong Kong among many who depend on dividend income.

It is the weakness of the UK government desperate for a trade deal with America that left HSBC with no choice.

Without any diplomatic or political backing they had to be seen to support the security law.

However, there is one significant but simple service the UK can render the people of Hong Kong.

Permit HSBC and Standard Chartered Bank to resume dividend payments, a move more effective by far than bland words of comfort for protesters.

David Hall
Mid-Levels, Hong Kong

Gough Island albatross deserves our support

Inevitably the media are focused on pandemic deaths and the economic crisis but we should not lose sight of other issues. One seemingly unimportant casualty that causes me great sadness is that the Royal Society for the Protection of Birds and UK government project to save the Gough Island albatross and bunting from extinction has been put on hold.

These wonderful birds that inhabit Gough Island, part of the British Overseas Territory of Tristan da Cunha in the middle of the south Atlantic, are at risk because mice (now the size of rats) introduced by seafarers are killing their chicks in their nests. The plan was to wipe out the mice.

The project was well under way when the pandemic struck causing its cancellation in March, with a team still on the island and much of the support infrastructure already in place.

It is hoped to try again in 2021, but irrespective of the pandemic challenge I am concerned the RSPB will not be able to shoulder the financial burden on its own and clearly UK government money will be hard to raise.

How important is this in the big order of things? I think it is, as it shows our humanity and care for the planet.

Admiral Lord West of Spithead
House of Lords,
London SW1, UK

A working mother pleads for action on schools

I have two daughters in primary school and am still working full-time from home. There now appears to be every chance they won't be going back to school (Report, June 10) until September, and possibly beyond, and could miss more than half a year of learning and yet I will be able to take them to theme parks from next week!

Why is the government not investing resources in finding a solution? If we can build temporary hospitals why can't we find facilities for students?

Why are state school students unfairly disadvantaged at this time? The many private school students I know have been able to continue their lessons uninterrupted from home. Most state school students have had virtually no teaching support. Why is no one concerned about the mental health impact on children? How can parents earn a living and be educators?

The country is failing our children.

Caroline Laurie
Warsash, Hampshire, UK

The Bezos business mindset is far from crazy

In the FT book review of *Bezonomics* (FT.com, June 8), the Bezos success model is summarised as "a potent cocktail of customer obsession, crazy innovation and long-term thinking driven by a relentless AI flywheel". The reviewer ends with an interesting question: If Mr Bezos has created the defining model for success, why are so few copying it?

Research among corporate CEOs published by Forbes last year highlights a chasm between the Bezos mindset and the typical CEO in the key area of customer focus and innovation.

While Mr Bezos cites creating customer value as his primary goal, research reveals CEOs devote just 3 per cent of their time to the customer agenda, spending nearly all their efforts trying to align competing stakeholders and functional agendas. Given that customers control cash flow this can be very costly, especially in today's markets.

Rather than "crazy" innovation, Mr Bezos focuses on differentiation and unique positions in new markets. In contrast, innovation was rarely mentioned by corporate CEOs, and, where it was, the focus was on incremental improvements and efficiency-driven process innovation.

Efficiency benefits are fine so long as customers stand still. In the post-Covid world, as customers constantly redirect their cash flow, adaptability will be key to success.

It's a good time to reconsider priorities and explore the available methods and principles here.

John Greenhough
CEO, The GreenField Organisation,
Harrogate, North Yorkshire, UK

US cities need more than 'Kumbaya'

Notebook

by Patti Waldmeir

Flint, Michigan, has long been a symbol of the failure of American capitalism: a city so poor that even the water was poisoned. Now it has a new claim to fame: former US president Barack Obama singled out this economically depressed city in the rust belt as a beacon of hope for US race relations after one of the area's top police officers took off his riot gear and joined protesters during an antiracism march on May 30.

"I want to make this a parade, not a protest," the white sheriff of Genesee County, which contains Flint, told protesters. He became one of the first US police officers to defuse the threat of violence by taking the side of demonstrators in America's biggest antiracism protests in 50 years. Video footage of Chris Swanson high-fiving black protesters, and assuring them that "these cops love you", went viral as protests spread to cities across the US, including Flint, named the poorest city of its size in the US in 2017.

Eventually police in many places did what Sheriff Swanson did — take off his riot helmet and stand with, not against, the protesters. But he was among the first. A self-described "four-time Ironman [triathlon] finisher", "motivational" speaker and author of *Tinman to Ironman: 26.2 Proven Ways to Crush Your Failures and Transform Your Life Today!*, he is an elected official who did not deny aspirations to higher office when asked by a Michigan newspaper.

Local activists are now questioning whether politics helped motivate his actions. DeWaun Robinson, head of the Flint chapter of Black Lives Matter, told the Financial Times, "When we talk about real change we're not just talking about jumping in front a parade and singing 'Kumbaya', we have to hold their feet to the fire. This is not a parade, we have to change the system and a big part of that is creating a police oversight board that oversees hiring and firing."

Mr Robinson applauds the city council of Minneapolis, where George Floyd was killed by a white police officer, for announcing plans to dismantle its police force, after concluding that reforming it had failed. "I'd love to see that here, I think the community should police ourselves," he says.

Supporters of "defunding" or "abolishing" police have rushed to defend these concepts as not what they sound like: more an effort to redirect funds to reducing the causes of crime, and hiring addiction and mental health experts to deal with it, rather than paying police to handle situations they are ill-equipped for. But top Democrats have distanced themselves: the governor of my home state of Illinois called it "a poor use of words to describe what many people really want".

The Minneapolis city council president has spoken of her aspiration for a "police-free" future. President Donald Trump recognises phrases like that for the political gift they are and is using them to mobilise his supporters, especially in swing Midwest states such as Minnesota and Michigan. Trump supporters there generally do not aspire to live in a state with no police, and the mere notion could scare plenty of whites straight to the ballot box for the incumbent in November.

It may not assuage their fears to be reminded that challenging the legitimacy of the police was a central tenet of the Black Panther Party, one of the most influential black power groups of the 1960s and 1970s. "Defund" activists in the town where I live outside Chicago directed me to the writings of Angela Davis, one of the most prominent black activists of the 1960s, to understand their platform.

Judy Greene, a longtime advocate of police reform, says Mr Trump might be wise to remind his supporters that police brutality is not just a racial issue. "Police kill three people a day and the majority are white," she says, adding: "The number of blacks [killed] are disproportionate so it's not exactly an equal opportunity killing machine, but white people are dying too: start there, and then go after the enormous and corrupt power of the police unions."

America has been preaching police reform since racial unrest destroyed cities like my birthplace of Detroit in the 1960s. But Mr Robinsonsays we can't wait any longer to tackle it, warning: "If we don't get this together now, there will be a civil war."

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Opinion

Myths can make 'smart money' act dumb

MARKETS

Miles Johnson

Those who earn a living analysing financial markets are enduring testing times. Many money managers have been left baffled as stocks have rallied to near all-time highs at a time of a global pandemic, civil unrest and mass unemployment during an awful recession.

Not only have these exasperated professionals lost money, but they must also now contend with a new breed of online day trader who has revelled in relentlessly mocking their misfortune.

Dave Portnoy, an internet celebrity, has posted daily trolling videos about his profits from the rally to his 1.5m Twitter followers. "The people on the internet are debating who is the better investor right now, myself or Warren Buffett?", he said in a post this week. "It's no debate. I killed him. He's dead."

Even worse for the investment industry is that the rally has once again seen managers paid to add value lose out to passive investment funds. The "smart money" — for now at least — has taken a beating, while those who many disparagingly like to refer to as "dumb money" are howling with laughter.

All this is bewildering for many who pride themselves on understanding financial markets. For some, it is cause to mutter darkly about the day when a sudden reversal in fortune will immolate the portfolios of day traders like Mr Portnoy, wiping the grin from his bearded face.

In all probability, the day traders will discover before not too long that random, frequently leveraged speculation based on stuff posted on Reddit sooner or later ends in tears. But many professional investors should also pause and think hard about many of their own enduring, unchallenged and frequently unfounded assumptions about how markets work.

Basing investment decisions on such beliefs is not likely to yield much better results than randomly punting on penny stocks, yet many persist on treating them as if they were carved in stone.

The most common is the widely held notion that what happens to the economy, be it global or national, will predictably be reflected in stock prices. This assumption underpins much commentary, and a huge amount of collective effort is devoted to forecasting gross domestic product on the understanding that this is valuable to investors.

> Valuation is a concept mangled by many who consider themselves sage professionals

Currently, many analysts have been stunned that stocks could be close to their all-time highs during such a sharp recession. But there is scant long-term evidence to suggest that the near-universally accepted concept that economic growth is correlated with stock market performance is true. New York University finance professor Aswath Damodaran recently wrote: "the notion that stock markets and economies are closely tied together is deeply held, simply because it appeals to intuition".

However, US data going back to 1960 shows, "there is almost no correlation between stock returns and real GDP growth . . . In short, there is almost nothing of use to investors from poring over current macroeconomic data, which is one reason why markets have started ignoring them." Yet not a day goes by when analysts pore over some economic variable in an effort to forecast GDP, which is then assumed somehow strongly and predictably to correlate with how markets perform.

Valuation is another concept mangled by many who consider themselves sage professionals. The market, they will say, is "expensive" or "cheap" based on the aggregate ratio of share prices to the combined earnings of companies in an index. It is still standard fare for markets commentators to say "the S&P 500 trades at a multiple of X, therefore it is expensive". Those who have continued to invest using rudimentary notions of "statistical value", buying stocks or indices with low headline p/e ratios, have underperformed for a decade.

This an abuse of the concept of valuation because an aggregate ratio detaches valuations from the underlying businesses they reflect. The question should never be what valuation does a company trade at, but at what valuation does a company deserve to trade?

Answering that question is certainly not easy. But many top-down market commentators fail to understand that, in the simplest terms, some companies are far better than others. There are many other factors beyond valuation to consider, such as a company's vulnerability to competition, its capital intensity and growth prospects.

Mr Buffett, the butt of Mr Portnoy's jibes, once wisely said: "When 'dumb' money acknowledges its limitations, it ceases to be dumb". By the same stroke, smart money that fails to question the myths that it clings to can no longer be considered that smart.

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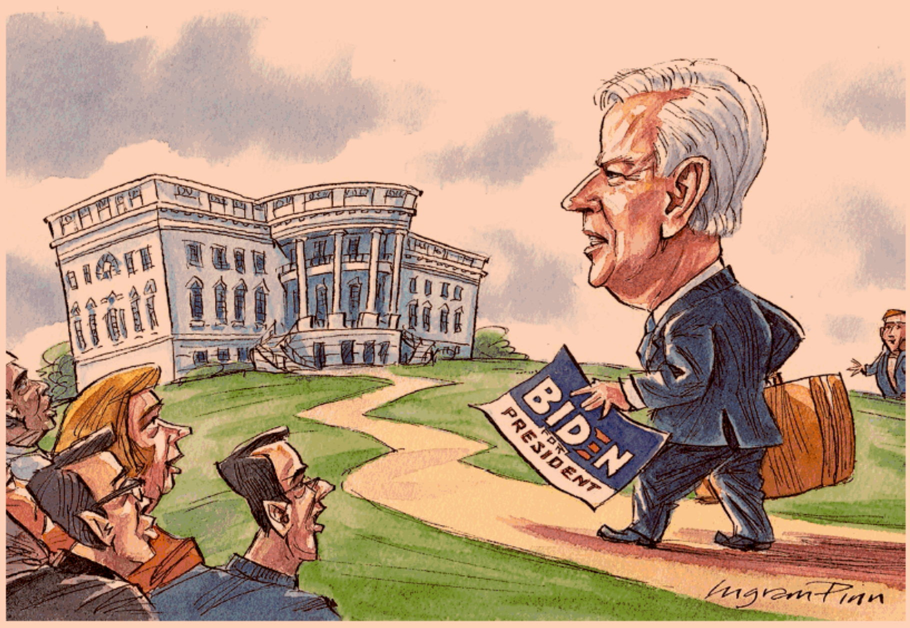
US allies should plan for a Biden presidency



GLOBAL POLITICS

Philip Stephens

No predictions, but once in a while it is useful to imagine the news getting better. Look beyond the summer and two potentially game-changing events come into view. Scientists tell us a vaccine and/or treatment for Covid-19 could map a pathway out of the pandemic. As to the second possibility, my friends in the foreign policy community have taken a vow of silence. Whisper it ever so quietly, but the US may choose a new president.

Much of the world is now coming out of coronavirus lockdowns, but the recovery will remain patchy and hesitant until we have much greater certainty that Covid-19 can be permanently suppressed. The present danger is that anything resembling a return to normal life will herald a second wave of infections in the autumn. Epidemiologists think some resurgence is inevitable. The question is one of scale. As long as there is uncertainty, business will hold back from the full-throated investment needed for a strong recovery.

The critical ingredient for a sustained upturn is confidence. By removing future risk, a vaccine — or the firm promise of one within, say, a year — would transform the outlook. A treatment that greatly reduced mortality rates would go a long way in the same direction. The grim picture painted at present by most economic forecasters rests on an assumption that the virus will hang around indefinitely. With the prospect of complete suppression, the economic bounceback would probably be much stronger than that seen in the aftermath of the 2008 financial crisis.

As willing as they are to speculate about each and every step towards a vaccine, politicians and policymakers beyond America's shores are conspicuously silent about what, in the absence of the pandemic, was to have been the geopolitical event of 2020. Barring a handful of autocrats, friends and allies of the US are mostly behind the Democratic candidate Joe Biden. A second presidential victory for Donald Trump, European leaders are heard to murmur, would be a catastrophe for the democratic community of nations we commonly call the west. But most of them got the result badly wrong in 2016. To predict that US voters will now throw out Mr Trump would be to tempt fate.

Yet the polls suggest Mr Biden has a more than 50:50 chance of winning the White House. Mr Trump has fallen back on his base, the economy will struggle to return to robust growth in the months before the election and Covid-19 could well claim many more American lives. Circumstances could change, but it would be reckless to ignore the real possibility that Mr Trump will be swept away in an avalanche of angry tweets.

A Biden victory would not of itself change the world. Intense Sino-American rivalry, strategic as much as economic, cannot be wished away. The Middle East is a long way from peace. Russia's Vladimir Putin shows few signs of abandoning his revanchism. The stresses and strains of globalisation and inequality will continue to feed the fires of populism.

The fabric of multilateralism has been badly torn at the very moment it is needed to confront the existential threat of global warming. These are challenges beyond ready solution by even the most benign American leadership.

Never mind. After the capriciousness of Mr Trump, the simple fact of a president who values alliances, is ready to return the US to the Paris climate change agreement and wants to strengthen rather than pull down the west's open, liberal order would be a considerable advance. It would revive the opportunity lost to Mr Trump's belligerent unilateralism. That democracy is in retreat around the world reflects in significant measure the disdain of the leader of the world's most powerful democratic nation.

> This is no time for Europe to sit on its hands. It must think hard about how it could be a partner

So this is no time for America's friends to sit on their hands. Instead, they should be thinking hard about how they could be partners in the effort to restore a rules-based international system — an order that would be rejected most likely by China and Russia, but one vital to preserve the democratic values on which the security and prosperity of the west depend.

Mr Biden, we know, is a firm supporter of Nato. His election would be the moment for the alliance's European members to make good on their promises to contribute more to the alliance. The Democratic candidate likewise has indicated that he would wish to rescue the international nuclear accord with Iran. What can Europe do to persuade Tehran to meet the understandable concerns of many Americans?

Beyond such regional concerns European governments, along with allies such as Japan, South Korea and Australia, have a role to play in crafting a broad western strategy towards China that combines necessary engagement with Beijing with a robust defence of western interests and values. Mr Trump's fulminations, sanctions and threats have given Europeans an excuse to dodge the hard choices.

The unipolar moment — that brief period after the end of the cold war when it seemed the US could reshape the world as it wished — has gone forever. But Mr Trump's presidency has shown the destructive potential of an American retreat from international leadership. The offer allies make to a President Biden should be one of partnership. Of course, Mr Trump might yet win. But, in that case, all bets are off.

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India's entrenched societal violence has no fixed face

Shruti Kapila

It took a pandemic to stop the protests in India. Since December, a broad coalition of men, women and students, along with lower-caste groups, have joined Indian Muslims in protesting against a Citizenship Amendment Act that, in effect, legalises religious discrimination. Widespread demonstrations across India, notably in the capital, Delhi, had broken Prime Minister Narendra Modi's long run of unquestioned popularity.

Yet in March, with the announcement of a national lockdown, the Supreme Court directed protesters to vacate the squares and streets they had been occupying in largely peaceful resistance for months. One of the most striking images from this protest is that of a young man pointing a pistol at a large gathering of peaceful protesters in plain sight of an equally large number of police.

Ever keen on (favourable) comparisons with the west, and especially the US, Indian social media is now abuzz contrasting the protests in the world's largest and most powerful democracies. As soon as pockets of looting in the US's antiracism protests made headlines, thinly veiled cultural superiority shot through the debate.

Observations were made about the peaceful and stoical nature of even the most oppressed in Indian society, namely the Dalits, or "untouchables". The commentariat wondered aloud why Indians with a passionate political culture have never raised their collective voice against their own police force, especially one widely thought to be heavy-handed to the point of brutal and corrupt. Even Martin Luther King's message of non-violence was Indianised in its attribution to Gandhi's influence.

The protests in the US and India certainly invite comparison. While India and the US have leaders who exemplify the age of the strongman, the resistance and rage in their streets, squares and, indeed, on their screens are also instructive. Mr Modi and Donald Trump may be spitting political images, but the protests throw their countries' differences into relief.

Is India really as inherently peaceful as its social media warriors opine? The police have represented oppression and violence in Indian popular culture, especially cinema, for decades. Yet even as the policeman's baton is flagrantly wielded and custodial torture, or even death, remain salient facts of life, the police have never been the target of public protest. Are Indian protesters too terrified or too respectful of the police?

> Even as the policeman's baton is flagrantly wielded, the force has never been the target of public protest

The question of violence and its visibility in Indian society was addressed not by Gandhi but by his nemesis and political rival, the Dalit leader B R Ambedkar. On the eve of India's partition in 1947, as civil war raged between Hindus and Muslims, Ambedkar held to the view that theirs was an antagonism born of competition to wield power. The real violence in Indian society was as pervasive as it was invisible, he said, occurring between upper castes and untouchables and legitimised via ritual and religion.

Ambedkar went as far as to write that "the Nazis had indeed a great deal to learn from the Hindus. If they had adopted the technique of suppressing the masses devised by the Hindus, they would have been able to crush the Jews without open cruelty and would have also exhibited themselves as humane masters". Disarmed and separated from social and economic life, caste violence against untouchables was systemic to the point of becoming invisible.

Ambedkar tried to legally force castes to face each other in a relationship forged by affirmative action. Reservations, as the policy of affirmative action is called in India, aimed to redirect caste antagonism into the institutionalised contestation of politics. This has created democratic competition among caste groups and their parties as inequity remains entrenched. Today, the sharp edge of the state is directed against Indian Muslims, as the aborted protests make clear. There is no longer a choice to be made between the Muslim and the Dalit in terms of social vulnerability. The diversity of the oppressed in India makes political coalitions of resistance friable and contingent. Meanwhile, the police force has remained a steadfast presence in India's history of change. Since its creation by colonial rulers, with the aim of enforcing order and depoliticising Indians, it remains unreformed, tethered to the political masters of the day.

Indian protesters are neither pliant nor polite. Yet, aware the police are only doing the dirty work of political parties and the establishment of the day, protesters focus their ire against politicians. The police are therefore almost always reviled but never given the political status of enemy. The uniformed man with the baton, for the protester in India, is therefore rightly ignored.

The writer teaches Indian history and global political thought at Cambridge university

Covid-19 debt relief must be tied to transparency

Jon Temin

The Covid-19 pandemic has prompted calls to postpone debt payments by low-income countries and eventually forgive much of the debt entirely. Some 300 global lawmakers are asking the World Bank and IMF to cancel the debt now because delaying payments until the end of the year will not be enough.

Their sense of urgency is justified — the economic impact of the pandemic threatens to be devastating. But if debt relief is to be effective, citizens must be able to see that their governments are spending the money saved in the public interest, including on public health, and hold leaders to account for mismanagement and corruption. No government can be trusted to expend public resources effectively without oversight.

This is where creditors can come in. Creditor nations and international lenders should tie further debt relief to genuine fiscal transparency. The goal is not for creditors to control the spending of funds diverted from debt service, but to allow citizens to judge for themselves how their resources are being deployed.

Critics may argue that it is unfair to ask for such transparency in the face of a crisis, especially if it creates a time-consuming extra hurdle. Yet Covid-19 has already shown that an effective response depends on bonds of trust between governments and citizens. When this confidence is lost, responses to the pandemic can become confused and counterproductive. A budget is a statement of government priorities, so allowing citizens to see spending plans and track actual appropriations will build faith that elected officials are working in their interests. In addition, if there is minimal oversight and governments misuse reclaimed funds, that will further imperil their financial standing and increase the cost of future borrowing.

> Citizens ought to judge how well the freed-up money is being deployed by their governments

Creditors should tailor their requests of countries seeking debt relief, depending on the circumstances. At a minimum, government budgets need to be fully in the public domain and easily accessible, especially to independent media. Human rights organisations recently recommended that state spending on Covid-19 be tied to accountability in public procurement, auditing by independent monitors, and strengthening of anti-corruption and anti-money laundering frameworks. Countries should be asked to establish independent spending oversight bodies or join the Open Government Partnership or Open Contracting Partnership.

Some governments have already developed innovative tools for tracking coronavirus expenditures. A website developed by the government of Paraguay allows citizens to visualise and track public expenditures and engage directly with public officials. Non-profit groups are also creating innovative mechanisms and social media campaigns to track health interventions in several African countries. Ideally, the transparency measures requested by creditors would apply across the board, not only to pandemic-related expenditures. Otherwise it would be easy for governments with something to hide to create the appearance but not the reality of transparency.

Low-income countries also owe billions of dollars to private creditors who may have less interest in improved transparency. Saudi Arabia's finance minister, currently serving as chair of the G20 finance track, recently appealed to private creditors to participate in debt-relief efforts, and other influential leaders should join the call.

Any movement toward linking debt relief to fiscal transparency will require concerted, co-ordinated international leadership, which is painfully difficult to find. But as long as Covid-19 persists in any corner of the world, everyone is at risk. Debt relief that allows low-income countries to devote more resources to fighting the pandemic is urgently needed — and a new commitment to transparency will ensure that the reclaimed resources are used for the common good.

The writer directs Africa programmes at Freedom House

Lex.

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Just Eat/Grubhub: hunger games

Binge-eating is never a good idea. But try telling that to Just Eat Takeaway.

The European food delivery company, created just months earlier by the merger of the UK's Just Eat and the Netherlands' Takeaway.com, is now gobbling up US deliverer Grubhub. A deal would give it a foothold in the US. However, with little in the way of synergy or cost-saving, Just Eat risks biting off more than it can chew.

Under the terms of the all-stock deal, Just Eat is paying about $75.15 per share, or $7.3bn for Grubhub. This falls to about $6.3bn after taking account of a 13 per cent fall in Just Eat's share price since Tuesday night. But even this still represents a 40 per cent premium to Grubhub's share on May 11, the day before news about a potential tie-up with Uber Eats broke.

That premium will not be justified by savings, given the lack of geographic overlap. Grubhub only operates in the US. Just Eat has no presence there, though it is the biggest takeaway player in Canada. Additional network effects, where one client base helps grow another, will also be limited.

The deal creates the largest food delivery company outside China — with combined 2019 revenues of €2.7bn — by moving Just Eat into a fiercely competitive market. While stay-at-home directives have boosted demand for food delivery services, profits remain elusive. Grubhub, once profitable, has seen its market share and margins steadily eroded by the likes of Uber Eats, DoorDash and Postmates. The ebitda margin, once as high as 26 per cent fell to 6.1 per cent in 2019, according to Capital IQ data. It racked up a net loss of $18.6m last year and reported a further loss of $33m in the first quarter.

In this context, a deal may ultimately make more sense for Grubhub than Just Eat. To compete, Grubhub needs to ramp up spending on subsidies. Joining forces with Just Eat will allow it to tap a bigger war chest. This explains why Grubhub is willing to accept only 30 per cent control of the combined company even though it accounted for more than 40 per cent of its 2019 revenue and adjusted ebitda.

In the cut-throat US food delivery market, consolidation is the best way to improve profitability. Just Eat, by buying Grubhub, does not change the dynamics of this. It does, however, put Uber Eats, which was in talks to buy Grubhub, on the defensive.

Let the food fight begin.

Japan banks/Mizuho: risk spree

Japan's banks are in a bind. Existing structural challenges are being amplified by a pandemic and a recession. Desperate efforts to plump up compressed profit margins have pushed some, like Mizuho, to turn to riskier loans.

The country's third-largest bank wants to expand aggressively its riskier mezzanine — a convertible bond-like hybrid of debt and equity financing — business. The pandemic has boosted demand for funding overall as companies scramble for cash. Lending by Japan's biggest banks rose by 3.4 per cent in April — the fastest pace in over a decade.

It is hard to blame Mizuho for this shift in strategy. About three-quarters of all local bank loans earn less than 1 per cent in interest. Mizuho's lacklustre performance in the first quarter will have added urgency. The bank already expects ¥200bn of credit-related costs for the current fiscal year, forcing it to cut its earnings outlook.

Historically, corporate default rates have been low in Japan, making the higher returns from mezzanine and equity financing seem appealing. During normal times, Mizuho could risk some financings turning bad.

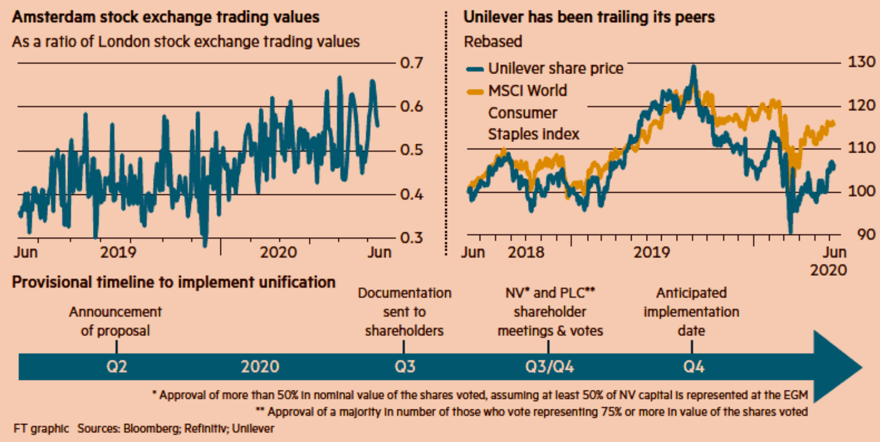
Yet, the challenges are not normal. The global high-yield bond default rate rose to 4.8 per cent in May, 70 basis points above the 20-year mean, says Moody's. Japan's economy should shrink 22 per cent during the second quarter. Sharp declines in capital investment and consumer spending mean more pain ahead.

Nomura made a similar shift in the past but has reversed this. Losses from leveraged financing in its March-ending quarter contributed to the bank's first net loss in over a year.

Mizuho's price-to-book ratio of just 0.4 times, a fifth below Nomura's, suggests that the market has little faith in the rest of Mizuho's asset base, anyway. During times like these, higher risk will not always bring higher returns for lenders. That holds true for their investors, too.

Unilever unification: soap saga

London is Unilever's most liquid market, the bulk of its trading is there — even if 55 per cent of shares are in the Dutch-listed entity. Unification of the dual Anglo-Dutch corporate structure is due to complete at the end of this year, pending shareholder approval. Unilever has underperformed its peers in the past year or so



FT graphic Sources: Bloomberg; Refinitiv; Unilever

Two years after Unilever sparked a Marmite moment, by seeking to unify its Anglo-Dutch corporate structure, it is having another go. The first attempt, which would have brought the consumer goods group under a single Rotterdam entity, was hated in the UK. Shareholders fretted that the consumer goods maker would be dropped from FTSE indices; politicians, sensitive to the new reality of Brexit Britain, wailed about job losses. This time Unilever hopes to win round dissenters by plumping for a UK holding company.

Chances for success are high. Dutch shareholders, comprising 55 per cent of the combined market capitalisation, have less cause to fret. Unilever — which has learnt its lessons well — will retain a Dutch listing and expects to remain in that market index. It has also chipped back some of the Dutch poison pill mechanisms, narrowing the gap with the more takeover-friendly UK entity.

As with two years ago, the approval threshold is lower for Dutch shareholders. The Dutch government has exacted a couple of fairly anodyne commitments.

Unification makes abundant sense. Shares on the two bourses have traded much in lockstep (adjusting for currency). London is the more liquid of the two exchanges. The dual corporate structure, like that of fellow Anglo-Dutch hybrid Royal Dutch Shell, was a legacy of a long-ago merger. It is messy, adds an unnecessary complexity and inhibits dealmaking by landing US shareholders with a tax bill.

To really turn the tide, Unilever will need to follow through on its mantra of simplification. It still holds significant shares in a dozen listed subsidiaries, the biggest of which is India's Hindustan Unilever. Intellectual property, now residing among various places in Europe and for which royalties are paid by more far-flung units, will be more neatly stacked. Broadly, that means food and refreshment in Rotterdam, home care and beauty in London.

Investors have lost appetite for Unilever, once a must-have staple, in recent years. A clean-up would help it shine again. Unravelling a 90-year-old structure is a good place to start.

Centrica: pipe themes

It is hard to believe that Centrica once owned a credit card company, a telecoms operator and the AA, the UK motoring association.

It might well miss those days. In the decades since, the struggling gas utility has focused on its energy business, it has slashed its dividend and dropped out of the FTSE 100.

An accelerated restructuring plan from new chief executive Chris O'Shea announced yesterday only serves to keep the company's lights on. Centrica will scrap half of its 40-strong leadership team and 5,000 jobs in total.

But the biggest risk remains a costly downgrade to the group's £5bn debt pile currently sitting two notches above junk. Lower demand for power will put pressure on the profits servicing the debt.

Large exposure to retail — more than half of operating profits last year — partly explains why its already depressed shares are off by more than half this year. Bulls counter that its smaller supplier rivals will suffer too. Just 54 remain, out of 65 in 2017, which should reduce customer churn. But that process could take a long time.

Earnings could fall by half this year. Customer payment delays would drain cash flow. Analysts at Jefferies reckon on up to £1bn in working capital outflows.

Crucially, funds from operations relative to net debt could fall below the 30 per cent threshold required to maintain the BBB rating.

UK natural gas prices at under 13p per therm wallow near all-time lows. Centrica's plan to sell its oil and gas production business, which ate up 70 per cent of investment last year, has been shelved because of low commodity prices.

Reducing net debt, by selling its stakes in nuclear energy plants, worth perhaps £650m, or even its North American energy supply business, is a necessity, not an option.

Short of that, the risk of another cash call looms — something shareholders will not abide.

Pershing Square: spac-man

Bill Ackman has as much credibility on Wall Street as ever. His investment vehicle, Pershing Square Capital Management, is up 33 per cent this year up to May. He deftly played the market slide well early in the coronavirus panic, and hopes his goodwill with investors holds. He plans to launch a blank-cheque vehicle that could raise a war chest of $1bn to purchase a business.

He has successfully backed so-called special purpose acquisition vehicles before, notably when he bought and then flipped Burger King in 2014. Recently, plenty of others have tapped a red-hot market for spacs. Mr Ackman is smart to jump back in.

The majority of US initial public offerings this year could be described as highly speculative. Either they have been early-stage biotechs, or blank-cheque companies. For the latter, sponsors have raised cash and have two years to find an acquisition candidate ready to be listed on the public market.

The deals that blank-cheque sponsors have assembled will have quickened the heartbeat of Mr Ackman. Shares of DraftKings, the sport betting app, have quadrupled since it was acquired by a spac in late December. Nikola, a clean-energy truckmaker that is taking on Tesla, has just closed its merger. Its market capitalisation is close to $30bn. Yet Nikola has no plans to exceed $1bn of revenue until 2023.

Spacsponsors, such as Mr Ackman, typically receive about a fifth of the company in exchange for finding a target. An out-turn like Nikola's could be worth billions. The advantage of spac acquisitions is that, as with DraftKings and Nikola, they can attract other deep-pocketed investors willing to make a leveraged bet using financial engineering.

Mr Ackman will feel a superhero moment coming. A billion-dollar raise by him would be one of the biggest spacs created, and the foundation for a massive reverse merger. Those dark days of March seem like long ago.

Lex on the web
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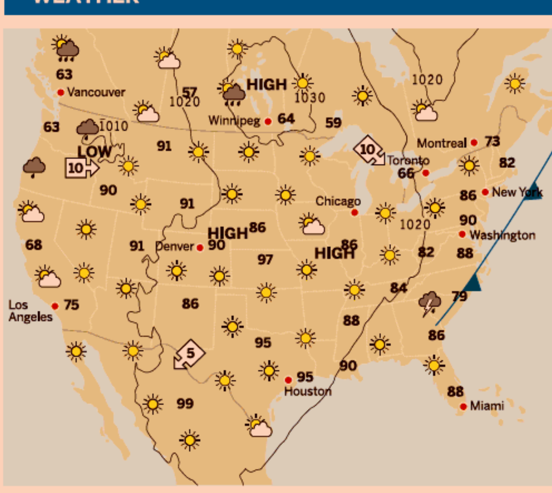
WEATHER

Asia. Insight Out.



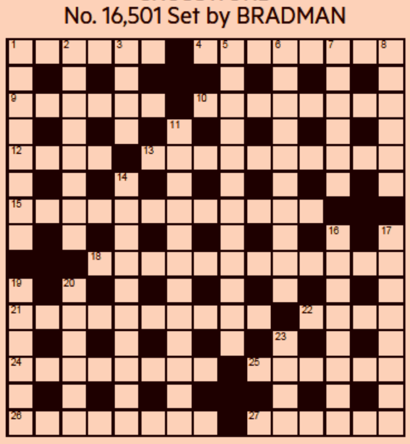
Forecasts by MeteoGroup Warm front Cold front Occluded front Wind speed in MPH

Today's temperatures Maximum for day °C & °F

Amsterdam	Fair	27	81	Madrid	Fair	21	70
Athens	Sun	29	84	Manila	Thunder	29	84
Atlanta	Sun	30	86	Melbourne	Cloudy	15	59
Beijing	Sun	34	93	Mexico City	Fair	24	75
Belgrade	Cloudy	24	75	Miami	Cloudy	31	88
Berlin	Fair	28	82	Montreal	Fair	23	73
Bermuda	Fair	24	75	Moscow	Thunder	24	75
Bogota	Rain	19	66	Mumbai	Cloudy	32	90
Brussels	Fair	25	77	Nassau	Thunder	30	86
Buenos Aires	Fair	19	66	New York	Sun	30	86
Caracas	Shower	31	88	Nice	Fair	23	73
Chicago	Fair	23	73	Oslo	Sun	26	79
Copenhagen	Cloudy	21	70	Paris	Shower	20	68
Dallas	Sun	35	95	Prague	Fair	26	79
Delhi	Sun	40	104	Reykjavik	Rain	11	52
Doha	Sun	45	113	Rio	Sun	29	84
Dubai	Sun	40	104	Rome	Sun	25	77
Dublin	Rain	14	57	San Francisco	Fair	20	68
Edinburgh	Cloudy	15	59	Seoul	Fair	30	86
Frankfurt	Sun	29	84	Shanghai	Thunder	31	88
Geneva	Sun	26	79	Singapore	Thunder	31	88
Hamburg	Fair	25	77	Stockholm	Sun	24	75
Helsinki	Sun	23	73	Sydney	Rain	17	63
Hong Kong	Sun	32	90	Taipei	Cloudy	33	91
Honolulu	Drizzle	30	86	Tel Aviv	Sun	29	84
Jakarta	Fair	33	91	Tokyo	Thunder	30	86
Karachi	Fair	36	97	Toronto	Sun	19	66
Lima	Cloudy	20	68	Vancouver	Shower	17	63
Lisbon	Fair	19	66	Vienna	Sun	26	79
London	Shower	21	70	Warsaw	Thunder	31	88
Los Angeles	Sun	24	75	Washington	Sun	32	90
Luxembourg	Sun	26	79	Zurich	Sun	28	82

CROSSWORD

No. 16,501 Set by BRADMAN



JOTTER PAD

ACROSS
1 Instant support (6)
4 Sold with difficulty, a strange historical site (3,5)
9 Customer finally goes to a bank on very few occasions (6)
10 Holy man's ram, we may deduce? (8)
12 Something black coming from Chancellor (4)
13 Wise men, holy person and judge – together such may administer law (10)
15 Footballers who are likely to vote Conservative? (5-7)
18 Fab man can start to export oil (12)
21 Party I arranged includes cunning arrangement to favour men (10)
22 Something that may be enclosed keeps female free from danger (4)
24 In performance English man or woman played records (8)
25 See 8
26 Dealer in small things is mad, sense abandoned (8)
27 Heraldic colour of particular gentleman (6)

DOWN
1 Footballers who demand better pay? (8)
2 Old city transport outside hotel (8)
3 Useless Greek character, bad one being thrown out (4)
5 Space in literature given to frivolous No.1 celebrity (7,5)
6 Terrible threat lying within grass could be overwhelming (10)
7 Sound of regret when meeting obstacle? This fixture on vehicle will limit damage (3,3)
8, 25 See supposedly creative female torture he-man cruelly (6,6)
11 President will offer no great deal, I fancy (6,6)
14 Cuckoo smart, aping birds (10)
16 Two characters as one showing unusual art and guile (8)
17 Most violent storm's beginning on top of mountain (8)
19 King and queen and others – see them in gardens (6)
20 Goddess 'as old-fashioned vitality, not half! (6)
23 Controversial show creating shocks? (4)

Solution 16,500